Official Report

PROCEEDINGS AND DEBATES OF THE NATIONAL ASSEMBLY OF THE FIRST SESSION (2015-2016) OF THE ELEVENTH PARLIAMENT OF GUYANA UNDER THE CONSTITUTION OF THE CO-OPERATIVE REPUBLIC OF GUYANA HELD IN THE PARLIAMENT CHAMBER, PUBLIC BUILDINGS, BRICKDAM, GEORGETOWN

47TH Sitting	Monday, 28TH November, 2016

Assembly convened at 2.11p.m.

Prayers

[Mr. Speaker in the Chair]

ANNOUNCEMENTS BY THE SPEAKER

Leave from Sitting

Mr. Speaker: Hon. Members, leave from today's sitting has been granted to the Hon. Member, Mr. Collin Croal.

PRESENTATION OF PAPERS AND REPORTS

The following Papers and Reports were laid:

1. Annual Reports of the Rights of the Child Commission for the years 2013 and 2014. [*Speaker of the National Assembly*]

2. Estimates of the Revenues and Expenditure of Guyana for the financial year 2017.

3. Dollar Credit Line Agreement dated November 9, 2016 between the Government of the Cooperative Republic of Guyana and the Export-Import Bank of India for US$10,000,000.00 for the purpose of financing the procurement of an ocean ferry for

meeting the transportation requirements of passengers, vehicles and cargo in the northern region of the Cooperative Republic of Guyana.

4. First Amendatory Dollar Credit Line Agreement dated September 29, 2016 between the Government of the Cooperative Republic of Guyana and the Export-Import Bank of India for US$4,285,440.00 for the purpose of financing the setting up of a Multi-specialty Hospital. [*Minister of Finance*]

REPORTS FROM COMMITTEES

The following reports were laid:

1. The Interim Report of the Parliamentary Sectoral Committee on Economic Services, First Session of the Eleventh Parliament, 2015-2016.

2. The Report of the Public Accounts Committee on the Public Accounts of Guyana, together with the Minutes of Proceedings, for the years 2010 and 2011.

[*Mr. Ali – Chairman of the Parliamentary Committee on Economic Services and the Public Accounts Committee*]

QUESTIONS ON NOTICE

For Written Replies

Mr. Speaker: Hon. Members, there are only two questions on the Order Paper and these are for written replies. These questions are in the name of the Hon. Member Mr. Mohabir Nandlall and are for the Attorney General and Minister of Legal Affairs. These answers have been received and have therefore, in accordance with our Standing Orders, been circulated.

APPOINTMENT OF CORONERS

Mr. Nandlall: On the 14th January, 2016, the National Assembly passed Act No. 3 of 2016, the Coroner's (Amendment) Act 2016. This Act was assented to by His Excellency President David Granger on the 25th January, 2016. During the second reading of this Bill in the National Assembly, the Honourable Attorney General and Minister of Legal Affairs, emphasised that the appointment of more Coroners was a matter of grave urgency and high priority for the Government.

(a) Could the Honourable Attorney General and Minister of Legal Affairs inform the House if any Coroner was appointed to date, since the enactment of the Coroner's (Amendment) Act 2016?

(b) If so, could the Honourable Attorney General and Minister of Legal Affairs inform the House how many and kindly furnish the House with their names?

(c) If no such appointment has been made, could the Honourable Attorney General and Minister of Legal Affairs inform the House, if or when any appointments are likely to be made?

Attorney General and Minister of Legal Affairs [Mr. Williams]:

Question (a): The Coroners (Amendment) Act No.3 of 2016 amended the Coroners Act Cap. 4:03 by inserting section 3A which provides, in subsection (1), that "Notwithstanding anything in sections 2 and 3 the Judicial Service Commission may appoint fit and proper persons as coroners." The Coroners (Amendment) Act No. 3 of 2016 did not give the Attorney General and Minister of Legal Affairs the power to appoint coroners. The appointment of coroners falls within the jurisdiction of the Judicial Service Commission. Therefore, all questions pertaining to the making of appointments should be directed to the Judicial Service Commission.

Question (b): This question should be directed to the Judicial Service Commission and not the Attorney General and Minister of Legal Affairs.

Question (c): The Attorney General and Minister of Legal Affairs is not responsible for the appointments of coroners under the Coroners (Amendment) Act No. 3 of 2016. This question should be directed to the Judicial Service Commission. It is for the Judicial Service Commission to advise on if or when any appointments are likely to be made.

APPOINTMENT OF MEMBERS OF THE LAW REFORM COMMISSION

Mr. Nandlall: On the 14th January, 2016, the National Assembly passed Act No. 4 of 2016, the Law Reform Commission Act 2016. This Act was assented to by His Excellency President David Granger on the 25th January, 2016. During the second reading of this Bill in the National Assembly, the Honourable Attorney General and Minister of Legal Affairs, emphasised that the establishment of this Commission was a matter of grave urgency and high priority for the Government.

(a) Could the Honourable Attorney General and Minister of Legal Affairs inform the House whether any Member of the Law Reform Commission 2016, has been appointed to date?

(b) If so, could the Honourable Attorney General and Minister of Legal Affairs inform the House how many and kindly furnish the House with their names?

(c) If no Members have been appointed to this Commission, could the Honourable Attorney General and Minister of Legal Affairs inform the House if, or when, the Members of this Commission will be appointed?

Mr. Williams:

Question (a): Awaiting funding

Question (b): Awaiting funding

Question (c): As soon as funds are available.

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

SUSPENSION OF STANDING ORDERS NOS. 10(2) AND 38(9)(a)

"BE IT RESOLVED:

That Standing Orders Nos. 10(2) and 38(9)(a) be suspended to enable the Minister of Finance to complete uninterrupted the reading of the Budget Speech for 2017 at the Sitting of the National Assembly on Monday, 28th November, 2016." [*First Vice-President and Prime Minister*]

The First Vice-President and Prime Minister [Mr. Nagamootoo]: I beg to move the following motion in my name.

> "BE IT RESOLVED:
>
> That Standing Orders Nos. 10(2) and 38(9)(a) be suspended to enable the Minister of Finance to complete uninterrupted the reading of the Budget Speech for 2017 at the Sitting of the National Assembly on Monday, 28th November, 2016."

Question put, and agreed to.

Standing Orders suspended.

PUBLIC BUSINESS

GOVERNMENT BUSINESS

MOTION

BUDGET FOR 2017

MOTION FOR THE APPROVAL OF THE ESTIMATES OF EXPENDITURE FOR 2017

WHEREAS the Constitution of the Cooperative Republic of Guyana requires that Estimates of the Revenue and Expenditure of the Cooperative Republic of Guyana for any financial year should be laid before the National Assembly.

AND WHEREAS the Constitution also provides that when the Estimates of Expenditure have been approved by the Assembly an Appropriation Bill shall be introduced in the Assembly providing for the issue from the Consolidated Fund of the sums necessary to meet that expenditure.

AND WHEREAS the Estimates of Revenue and Expenditure of the Cooperative Republic of Guyana for the financial year 2017 have been prepared and laid before the Assembly on 2016-11-28.

NOW, THEREFORE BE IT RESOLVED:

That this National Assembly approves the Estimates of Expenditure for the financial year 2017, of a total sum of two hundred and thirty billion, three hundred and forty nine million and seventy nine thousand dollars **($230,349,079,000), excluding nineteen billion and seven hundred and seventy four million, and eighty seven thousand dollars ($19,774,087,000)** which is chargeable by law, as detailed therein and summarised in the undermentioned schedule, and agree that it is expedient to amend the law and to make further provision in respect of finance.

Introduction

Minister of Finance [Mr. Jordan]: 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 2017 and, in doing so, I wish to indicate that Cabinet has recommended that the National Assembly proceed upon this motion pursuant to Article 171, paragraph 2 of the *Constitution of the Cooperative Republic of Guyana*.

It is my distinct pleasure to deliver Budget 2017, the third budget of the coalition Government in just over one year and half in office. While this, by itself, must be something of a record, perhaps, of greater import is that this budget is the first, in four decades, to be presented before the start of the fiscal year. Of interest, too, is the fact that apart from Budget 1976, which was presented on 24th November, 1975 by former Minister of Finance, Mr. Frank Hope, this budget is the earliest to be presented to the National Assembly, since our country gained Independence. Not only is this is a signal achievement, for which all of us should be justifiably proud, but it is also a testament to our stated resolve to return budgeting to its deserved place within the accountability and governance framework, so that it can best serve its critical functions of economic management; financial management; management of government; and effective implementation of government's policies. In recognition of the importance of timely budget presentation and passage to the delivery of government's projects and programmes and, with due regard to public confidence and support which this will engender, the Government is considering a fixed date for the delivery of future budgets.

The year 2016 will be remembered, also, as the year when we celebrated the 50th Anniversary of our Independence. From near and afar, Guyanese as well as foreign dignitaries and visitors came to celebrate our achievements. True, there were a few glitches, but these failed to depreciate the significance of the occasion or dampen the spirit and enthusiasm of our people. From the hoisting of an imposing national flag on the eve of May 26, to the pageantry of the Float Parade, to the other activities and events that were held, the significance of what it means to be Guyanese was truly on display. In true Guyanese style, the over 27,000 diaspora Guyanese reconnected, mixed, and mingled with their friends and families at home, their expressions of joy and patriotism heavily felt in their actions and spending. They sang, danced, drank, whooped, and otherwise participated in the celebrations. We thank them for their continued interest, contribution, and support to the development of their country. Indeed, we thank all those who contributed to making the 50th Anniversary of Independence a memorable one. We can only look forward with equal excitement to the celebration of the 50^{th} Anniversary of the Republic, 0n 23^{rd} February, 2020.

Our Independence celebrations represented one of the few bright spots in our economy in 2016. The other that is worthy of note is the outstanding achievement of the mining sector, especially the record-breaking performance of gold production. These aside, the economy felt the drag of dismal output performances in sugar, rice, forestry, and construction, including housing. While detailed analyses of these developments will be presented shortly, suffice it to say at this stage that, as explained by His Excellency President Granger, in a recent *Public Interest* programme, the current development model can no longer be pursued. Although he was speaking with specific reference to the Guyana Sugar Corporation (GuySuCo), his incisive insight holds true for the entire economy. This dated model cannot deliver on our aspirations as a nation.

We were reminded, again by His Excellency President Granger, during his address to the opening of this session of the Parliament, that this Government started its mandate with troubling economic and social indicators. We inherited an economy that was built essentially on the proverbial sand and running on the proverbial fumes. It is an economy which, in spite of positive growth performances, averaging 4.5% in the period 2010-2014, remains undiversified and incapable of withstanding even small shocks. It is hardly surprising, therefore, that we are reaping the whirlwind of downturns in these sectors. It will take more than just traditional policies and approaches to turn them around. What we need is a growth strategy that is broader in scope and more diversified in outlook.

We have analysed the current domestic and global context in which we had to prepare this budget. There remains great uncertainty and adversity at the global level. The challenges are many. Indeed, the impact of external pressures cannot be underestimated. But we have resolved to pursue a growth strategy that breaks with the monotonous cycle of a few highs and perennial lows of prices of primary stage commodity production. We have to match the expectations of our people for a better life. But we would not be able to deliver if we stay the current course. To do so would allow the confluence of adversities and challenges to continue to constrain us from seizing the opportunity to chart a new direction.

The choice is clear. This is why we have chosen as the theme for Budget 2017, *Building a Diversified, Green Economy: Delivering the Good Life to All Guyanese.* In doing so, we will be employing a number of strategic approaches to achieve our objectives. These include: stabilising the macroeconomic and public finances; preparing for oil and gas production; encouraging and supporting entrepreneurship, in particular those that involve new, green technologies and processes; creating more job opportunities; increasing the focus on innovation so as to increase domestic production and boost exports; moving towards a Smart Guyana that bridges the digital divide; reforming business facilitation and expanding economic horizons; building climate-resilient infrastructure for economic expansion and linking the coastland and hinterland; lifting the quality of life; addressing poverty; and reforming the public and financial sectors. In short, Budget 2017 is designed to consolidate the gains we have made since our accession to office, improve economic performance, and define a sustainable pathway to the happiness and prosperity of Guyana.

2.26 p.m.

In crafting Budget 2017, we have had the benefit of oral and written advice and recommendations from a broad cross-section of persons and organisations, including trade unions and private sector bodies, women's associations, and the Commission on the Elderly. We thank all of them for their contributions and their interests in seeing Guyana develop to its fullest potential.

Economic Developments in the World Economy

Slow global growth and weakness in global trade continue to hamper progress in many economies. While global growth rebounded in 2010, following the financial crisis of 2008, it has trended downwards since. In October 2016, the *World Economic Outlook* (WEO), a publication of the International Monetary Fund (IMF), projected that global growth will reach 3.1%, slightly less than the 3.2% achieved in 2015.

Growth in advanced countries is projected to weaken by half of a percentage point relative to 2015. This decline is partially explained by the weaker-than expected economic performance of the United States of America (USA), due to weak investment and a decline in labour productivity.

Growth in the United Kingdom (UK) and the rest of Europe is also projected to fall in 2016 as the region comes to grips with the Brexit reality. On the other hand, economic growth in emerging market and developing economies is expected to improve in 2016, rising to 4.2% from the 4% achieved in 2015. This reflects reduced concerns about near-term growth in China and expectations that advanced countries will keep interest rates low.

Year 2016 has been especially difficult for Latin American and Caribbean economies. The United Nations Economic Commission for Latin America and the Caribbean (ECLAC) projects that, as a whole, the region's economy is expected to contract by 0.9%, reflecting economic crises in Brazil, among other countries. A number of commodity exporting countries, including Suriname and Trinidad and Tobago, are expected, also, to experience negative growth rates as a result of low oil prices. The region’s economic performance is projected to improve in 2017 with growth rising to 1.5%.

Despite this improved outlook, the region still faces serious downside risks, including adverse weather events, such as Hurricane Matthew, which devastated several Caribbean countries in 2016, commodity prices volatility, and the real threat that the continued loss of correspondent banking relationships could severely curtail financial services in the region and precipitate a financial crisis. While both the Financial Action Task Force (FATF) and the Financial Stability Board (FSB) have recommended the adoption of international best practices to facilitate better intermediation between respondent and correspondent banks, the continuous engagement of US banking regulators is seen as the most promising step to assuage the nervousness occasioned by derisking.

The prices for many commodities recovered considerably in 2016 and most commodity prices are expected to rise modestly in 2017. World market prices for rice and sugar rose in 2016 and are projected to remain roughly at current levels in 2017. The international price of gold rose by over 7% in 2016, but may face downward pressures in 2017, in light of a likely increase in interest rates in the US and the tapering off of the European Central Bank's (ECB) bond buying programme. Conversely, the price of aluminium remained low, in 2016, but is expected to recover next year. The price of crude oil, a key import for Guyana, is expected to average US$55 per barrel in 2017, up from an average of US$43 so far in 2016. The magnitude of the increase could be less if the Organisation of Petroleum Exporting Countries (OPEC) is unable to reach agreement to limit output.

The threat of gold prices declining in 2017, combined with rising oil prices and global issues such as derisking and climate change, will pose a major risk to our economy that will demand enlightened management. Our relatively undiversified economy leaves us particularly vulnerable to these external shocks, as well as internal financial distress in our major industries. The Government will continue, therefore, to implement policies designed to maximise opportunities and minimise the damage that emanate from such risks. It is against this background that I will now review the performance of our economy in 2016 and set the stage for improved performance in 2017.

Developments in the Domestic Economy in 2016

A. Real Gross Domestic Product

The budget for 2016 projected an overall real growth rate of 4.4%. At mid-year, a real economic growth rate of 2% was achieved. However, since several industries and sectors including sugar, rice, construction, and wholesale and retail trade, were showing signs of distress, already, the projected growth rate for 2016 was revised downwards to 4%. Since then, several unexpected developments, including the downsizing of Barama and Demerara Timbers Limited's operations in the forestry sector; structural changes and on-going strikes in the sugar industry; and the slow pace of implementation of the Public Sector Investment Programme (PSIP) conspired to reduce the real growth rate to 2.6%.

B. Sectoral Performance

a. Agriculture, Forestry, and Fishing

This sector is expected to contract significantly in the second half of 2016 with dismal performance expected for all sub-sectors, except fishing and other crops. Despite an encouraging recovery in 2015, sugar is projected to decline by 18.7%, to reach 188,000 metric tonnes in 2016. The low production is attributed to the *El Niño* dry spell experienced earlier in the year which resulted in lower yields, combined with late planting and the frequency of strikes, during the second half of the year**.**

Due to continued uncertainty in the rice industry, output is expected to reach 600,000 metric tonnes in 2016, representing a decline of 12.8% from the levels achieved in 2015. The *El Niño* weather phenomenon and the loss of the lucrative Venezuelan market contributed significantly to the decline in production level. Nevertheless, the Government continues to encourage both farmers and millers to move towards more value-added products. In this regard, during 2016, 300 acres of aromatic rice variety was planted for the first crop and over 3,000 acres for the second crop, compared to less than 100 acres planted for both crops during 2015. Two millers are actively engaged in this venture and have already secured markets, in the US, for their produce.

The livestock sub-sector is expected to contract by 5.1% in 2016. The gains made in poultry production, which is expected to expand by 3.5% due to increased demand, combined with new investment in duck production, is projected to be undermined by a fall in milk production by 19%. The decline in milk production is due to reduced demand, prompting farmers to take their animals out of lactation. However, the establishment of two abattoirs in Regions 5 and 9, along with improved breeding stock and better husbandry practices, are expected to boost growth in this sector.

The forestry sub-sector is expected to contract significantly by 33.*3%*, principally as a result of Barama halting the production of logs and the UK's restriction on greenheart logs originating from Guyana.

Both the fishing and other crops sub-sectors performed creditably, with growth recorded at 11.8% and 2.5%, respectively. Growth in the fisheries subsector is expected to be augmented by the introduction of deep float pelagic tuna production. In the other crops sub-sector, growth will benefit from continued diversification efforts in the areas of fruits, vegetables, and spices.

b. Mining and Quarrying

The mining and quarrying sector is projected to grow by 35.7% in 2016, the highest in over a decade. Gold production is expected to reach 644,814 ounces as a result of the combined efforts of small and medium-sized miners responding to the generous concessions granted by Government and rising global gold prices, and the two foreign-owned companies reaching full capacity. The bauxite industry is expected to grow by 9.6%, while the other mining and quarrying sector is projected to rise by 22*%*, mainly on account of a 92.5% increase in sand production and a 9.2% increase in stone production.

c. Manufacturing

The manufacturing sector is projected to contract by 7.1%, as a result of the dismal performances in sugar and rice, as well as a small decline in other manufacturing.

d. Construction

Construction declined from a budgeted 10.5%to a projected 3.2% in 2016. This performance is related to a decline in activity in the housing sector and Public Sector Investment Programme.

e. Services

The services sector is expected to expand by 1.3%, with growth driven by the electricity, water, finance and insurance, and transport and storage sectors. The sector’s share of GDP continues to remain above 40%.

C. Balance of Payments

In 2016, the balance of payments deficit will narrow to a projected US$29.2 million, from a deficit of US$107.7 million, in 2015. The current account balance is expected to improve from a deficit of US$181.5 million, in 2015, to a projected deficit of US$100.8 million, at the end of 2016. The strengthening in the current account will be due to reductions in both the merchandise and services trade deficits. The merchandise trade balance will improve from a deficit of US$340.4 million in 2015 to a projected deficit of US$185.5 million, for 2016. Merchandise exports will grow from US$1.2 billion, in 2015, to a projected US$1.4 billion, in 2016, an increase of about 19%. Strong growth in exports of gold, which are projected to rise by 55%, or US$277 million, will make up for shortfalls of 17% and 15% in the exports of rice and sugar, respectively. Owing to an anticipated improvement in the non-factor services account, the services trade deficit will improve from US$257.6 million, in 2015, to a projected US$189.8 million, in 2016. Net current transfers are expected to decline from US$416.5 million, in 2015, to a projected US$274.4 million for 2016.

The capital account surplus is expected to increase marginally from US$71.4 million, in 2015, to US$71.6 million, for 2016. Net capital to the non-financial public sector is anticipated to strengthen from net inflows of US$94.8 million, in 2015, to net outflows of US$44.3 million, for 2016, reflecting a large reduction in external debt amortisation.

The balance of payments deficit will be financed by debt relief and forgiveness of US$55.4 million, which will allow a projected US$26.1 million increase in net foreign assets of the Bank of Guyana. Gross reserves of the Bank of Guyana are expected to be equal to more than four months of import cover at the end of 2016, well above the three-month minimum benchmark for reserve adequacy.

D. Monetary Developments

Monetary aggregates of broad money are expected to grow by 3.8% over the 12 months ending December 2016, reflecting moderate real GDP growth and low inflation. Within broad money, currency in circulation will show strong growth, increasing by 9.8% over the period, while demand deposits will increase by 7%. Time and savings deposits will grow more slowly, increasing by a projected 2% over the 12 months ending December 2016.

Net domestic credit of the banking system is expected to grow by 4% over the 12 months ending in December. Credit to households will grow strongly, increasing by 9.1% over the period. However, credit to private businesses is projected to be weaker. Credit to the agriculture and services sectors will grow by 2.4% and 3.9%, respectively, while credit to the manufacturing sector will fall by 2.8%. Lending was particularly low to private enterprises in the mining sector, falling by a projected 16.6%.

E. Prices and Income

a. Inflation

The consumer price inflation remained moderate in 2016. The 12-month inflation rate stood at 1.1% as of October 2016. Prices are projected to remain relatively stable through the end of the year, resulting in an inflation rate of 1.3%.

b. Interest rates

The interest rates remained low in 2016. As at September 2016, the small savings rate remained flat at 1.26%. The weighted average lending interest rate fell slightly, compared to its level in December 2015, falling from 10.56% to 10.40%, in September 2016. Interest rates on Treasury Bills also declined slightly during 2016. The discount rate on 91-day Treasury Bills fell from 1.92%, in December 2015, to 1.85%, in September 2016. The discount rates on the 182-day and 364-day Treasury Bills fell by similar margins, declining from 1.81% to 1.68%.

2.41 p.m.

c. Exchange Rate

The Guyana dollar exchange rate with the US dollar remained stable at $206.5 through November 2016. The exchange rate is expected to remain at this level for the rest of the year. At the half year, the Guyana dollar had appreciated by about 10% against the British pound since the Brexit vote, consistent with the pound's general decline against world currencies. Since then, the Guyana dollar has continued to strengthen against the pound, appreciating by approximately 7% from July to November. The Guyana dollar also rose slightly against the Euro, appreciating by almost 5% over the same period.

d. Income

The Government upheld its promise to allow the collective bargaining process to function in setting wage and salary increases for public servants. Following extensive negotiations with the Union, in which no agreement was reached and mindful of the early Budget and the workers need to be compensated, given the lateness of the year, the Government granted wage increases as follows:

- 10% increase to public servants earning less than $100,000 per month;
- 6 % to those earning between $100,000 and $300,000 per month;
- 5 % to those earning between $300,000 and $500,000 per month;
- 4 % to those earning between $500,000 and $800,000 per month;
- 2 % to those earning between $800,000 and $1,000,000;
- 1 % to those earning $1,000,000 and above.

In addition, the minimum basic salary for each public servants was raised to $55,000 per month, representing an almost 40% increase in the minimum wage in less than eight months since the Government acceded to office, while the threshold was raised by 10% to $660,000 per annum.

F. Fiscal Position

a. Non-Financial Public Sector

Mr. Speaker, the non-financial public sector is expected to record a deficit of $30.4 billion, or 4.3% of GDP, which is lower than the budgeted deficit of $38.2 billion, or 5.5% of GDP. The lower-than-budgeted deficit for 2016 largely results from capital expenditure coming in at $15.9 billion below budget, due to crippling problems in the implementation of the PSIP.

b. Central Government

Despite significantly lower public sector investment spending and increased revenues, higher current expenditures and lower-than-projected grants are expected to result in a deficit of $38.4 billion or 5.4% of GDP, for 2016, compared to a budgeted $33.2 billion or 4.7% of GDP.

The lower rate of economic activity, in 2016, will not result in lower tax and non-tax revenue collection. Several one-off payments of arrears from delinquent companies, coupled with increased company income tax collections, are expected to contribute to an improved tax revenue performance, while non-tax collection will benefit from increased royalties from the mining sector. The projected total revenue collection for 2016 is $174.8 billion, 0.9% more than budgeted and 7.4% better than in 2015.

Notwithstanding, the increased revenue in 2016, the Guyana Revenue Authority (GRA) is expected to remit $42.6 billion. While this figure is $4.5 billion or 9.6% lower than the tax remissions in 2015, arduous effort will be exerted to monitor concessions granted in 2017.

Total expenditure of the Central Government will amount to $220.7 billion, in 2016, a $42.7 billion increase over 2015. Current expenditure will rise to $173.4 billion, of which $166.7 billion will be non-interest expenditure, while $6.7 billion will be expended on interest payments. Capital expenditure will amount to $47.6 billion, of which $30 billion will be locally funded and $17.6 billion will be financed from external loans and grants.

Total non-interest recurrent expenditure for 2016 has been revised upwards to $166.7 billion, compared with an initial budget of $164.3 billion. The $2.3 billion increase includes $2 billion for GuySuCo and an additional $234 million for the National Drainage and Irrigation Authority (NDIA).

c. Public Enterprises

The combined operations of the public enterprises resulted in a surplus of $8 billion, compared to $8.1 billion in 2015. Subsidies to GuySuCo of $12 billion, in 2015, and $11 billion, in 2016, masked an underlying deficit for that cooperation.

G. Debt Management

The Government remains committed to providing efficiently for its financing needs by minimising borrowing costs within an acceptable amount of risk. I am happy to report that the total public debt to GDP ratio is expected to decline from 48.6% in 2015 to 46.4% in 2016. At the end of 2016, it is projected that the total stock of public debt will increase marginally by 3.9% or from US$1.5 billion in 2015, to US$1.6 billion in 2016. Although the nominal total public debt will increase, the total public debt to GDP ratio is expected to decline as GDP grows faster than the debt itself.

By end-December 2016, Guyana's external public debt stock is projected to increase slightly by 1.5% to US$1.2 billion. This was primarily due to increased disbursements from some multilateral creditors and the Export-Import Bank of China. The total external debt service payments are expected to decline by 45.2% to US$53.9 million, in 2016, largely due to the halting of the Guyana-Venezuela Rice Trade Agreement in July 2015. It is expected that about 5.5% of annual current revenue will go towards servicing the external debt, in 2016, roughly half of the 11.1% consumed in 2015.

The total domestic public debt stock is projected to increase by 11.1% to US$439.4 million by the end of 2016. This is mainly due to increased issuance of Treasury Bills and the new issuance of a debenture to the National Insurance Scheme (NIS) in September 2016 for about $4.9 billion to assist in recovering from losses due to the investment in the Colonial Life Insurance Company (Guyana) Limited (CLICO). The total domestic debt service payments are expected to increase by 9.8% to US$9.3 million, in 2016, largely as a result of higher interest payments by the Bank of Guyana for Treasury Bills, which are mainly due to greater redemption of the 91-day and the 364-day Treasury Bills.

Our most recent debt sustainability analysis indicates that Guyana's total public debt remains on a sustainable path, and the country is only at moderate risk of debt distress. The analysis also reveals that debt service is likely to remain manageable over the long-term.

Agenda 2017: Building a Diversified, Green Economy: Delivering the Good Life for all Guyanese

A. Introduction

With each successive budget of this Administration, we have moved our almost 750,000 residents of our 214,970 square kilometres of land and water closer to the good life. Budget 2015 concentrated, essentially, on stabilising the economy, while fulfilling this Administration's 100-day promises. It also outlined a fresh approach to management of the economy for the next five years. Budget 2016 started to lay the foundations for stronger institutions and restoring the confidence of our people in their Government. The reduced performance of several key sectors in 2016 tested our resolve as a people and as a country. But we emerged stronger – with our positive growth rate intact, learning the lessons afforded, and facing the future with greater optimism. We inherited a paucity of data on which to embark on serious long term planning. Indeed, the absence of evidence-based, results-focused, approaches to policy interventions continue to beset our attempts at effective government and governance. However, guided by our creole proverb, *one one dutty build dam*, we intend to move our country forward, brick by brick, road by road, bridge by bridge, community by community, town by town and region by region.

It is within this paradigm, that Budget 2017 will aim to re-orient and/or augment government spending in a fiscally prudent and sustainable manner. An examination of the expenditure shares of key sectors reveals that education has moved from 16.6% in 2015, to a proposed 17.2% in 2017; health has moved from 11.5% in 2015, to a proposed 12.5% in 2017; infrastructure has moved from 7.6% in 2015, to a proposed 14.9% in 2017; and public security has moved from 11% in 2015, to a proposed 11.6% in 2017. The shifting composition of our expenditure in 2017 reflects a closer alignment of resource allocation with national priorities. We are acutely aware that the capacity of our human capital and institutional systems to spend, combined with the poor quality of our public expenditure, will continue to delimit our ability to effectively allocate resources.

In 2017, our focus to build a diversified, green economy will drive the content and prioritisation of the expenditure allocations, guide our choices for revenue measures, and shape the context and determine the results of our programmes. We are determined to embed coherent and strategic planning within and across public departments, ministries, the regional system, and sectors in order to achieve an optimal mix of resource allocations that is geared to meet the desired outcomes.

B. Macroeconomic Stability

Our Administration has moved a step forward in prioritising attention to our macro-fiscal forecasting capacity, with the establishment of the interagency macro-fiscal forecasting committee. Government recognises the critical linkages between the different spheres of the economy: the real sector – what we produce; the fiscal sector – what Government earns, spends, and achieves; the external sector – what we trade with other economies; and the monetary sector – how industries access borrowing to finance growth. Understanding the macroeconomic relationships and economic trends in each of these spheres is essential to planning forward-looking government budgets and policies. Based on macroeconomic analysis, the Government has enacted policies to support continuing stability in each of these areas, including positive growth, sustainable public debt, a narrowing trade deficit, and low interest rates in the context of low inflation.

Despite the strong performances of some sectors, in 2016, weaker growth in the traditional agriculture sector and the attendant slower overall growth rate for the year, underscore the need to do more to promote economic diversification. As such, efforts to support dynamic industries with high potential to contribute to future growth will be intensified to protect our economy from shocks. In addition, the threat of a correspondent banking crisis indicates that more emphasis must be placed on financial sector stability and development. The Government will continue to implement measures to improve the legal and regulatory framework and promote a deeper, more modern financial sector.

C. Green State Development

Implied in the theme of Budget 2017 is an articulation of a Green Agenda, which spans social, environmental, and economic sustainability issues. The Government's Green Agenda, which has been consistently ventilated by His Excellency President David Granger, and expressed in many forms such as green economy, green development, or green pathway sets out a vision that takes a broad, multi-dimensional approach towards achieving a "good life for all". The Green Agenda encompasses environmental protection, citizen security, employment and value chain creation, energy, health, education, social protection, and resilience against climate change and economic shocks. It is about sustainable development, embracing a broad range of Sustainable Development Goals (SDGs) and aligning perfectly with multi-dimensional progress.

Each of us, as responsible citizens of this land, must strive to ensure that our actions leave minimal carbon footprints. Whether we are making energy smart decisions on the type of appliance to purchase for our homes, whether we choose to drive to the corner store instead of walking, whether we remember to turn off lights in unoccupied spaces, or whether we design and construct our homes to use more natural light and ventilation, are all important decisions which will determine the magnitude of carbon footprint we amass. The Government will prioritise resource allocations to advance our nation along this green trajectory.

2.56 p.m.

In recognition of our commitment to the Sustainable Development Goals and our Nationally Determined Contributions to the Paris Agreement on Climate Change, we have committed to expand our protected areas by an additional two million hectares, by 2020. Next year, the Government will engage in consultations with stakeholders, begin the process for delineation of the expanded area and design a related management plan. These actions are consistent with meeting our commitments under the Paris Declaration and in keeping with Guyana's commitment as a signatory to the convention on biodiversity.

The sustainable management of our environment will see additional resources being allocated for greater compliance and monitoring, and strengthening of operations by regulatory agencies. To complement these initiatives within the regulatory framework and curb our less than desirable consumption and production patterns, we will be introducing an environmental levy on the manufacturers and distributors of products that use non-returnable metal, plastic, and glass beverage containers. In addition, we will grant exemptions of customs duties and taxes on greenhouses and their component parts, among other concessions.

To create an overarching framework to guide the management of our biodiversity and chart a course for national development, the Government will embark on the design of a Green State Development Plan, with support from the United Nations Environment Programme (UNEP). The plan will serve as the template to guide the rapid transformation of our economy, reorienting the structure of Guyana's production base and promoting diversification to reduce the reliance on the ailing traditional sectors. These efforts will lay the path to eliminating our dependency on fossil fuels and moving us closer to the target of one hundred per cent renewable energy supply by 2025.

Building on previous initiatives with a low carbon focus, including the use of renewable energy sources and co-generation alternatives, the Government will review and expand the scope of alternative energy solutions. Some immediate measures that will be taken towards this expansion will be:

(i) The lowering of the excise tax on hybrid and electric vehicles;

(ii) Granting of tax exemptions to set up electric vehicle charging stations;

(iii) Zero-rating the excise tax on biofuel and specially designed refuse trucks;

(iv) The restriction of used tyres; and

(v) A reduction of taxes on new tyres.

In addition, our Government will prioritise evidence-driven and cost-effective options to determine our renewable energy choices across the country to successfully transform the energy mix and reduce the share of non-renewable energy sources in the overall ratio. In this regard, we will shortly be releasing the outcome of a review of the Amaila Falls Hydroelectric Project, which was undertaken by Norconsult, the Norwegian-contracted consultants, after the comments of both the Kingdom of Norway and the Co-operative Republic of Guyana are incorporated into the final document.

In 2017, the Government has made a budgetary allocation of almost $1 billion to implement a series of renewable energy and energy efficiency projects, following the charge given by His Excellency President David Granger for the public sector to lead the way in transitioning towards greater renewable energy use. These interventions will be channelled through, and managed by, the Guyana Energy Agency (GEA). The renewable energy programme for 2017 will entail the installation of solar photovoltaic (PV) systems on the rooftops of 64 government buildings. With a combined installed capacity of 1.36 megawatts (MW), these installations will result in: annual energy savings of 1.86 gigawatt hours (GWh) or 1,200 barrels of oil equivalent per year; also annual cost savings of approximately $140 million; and environmental benefits in the form of avoided carbon dioxide emissions of about 1,116 tons per year.

Additionally, under the renewable energy programme, in 2017, we will install the first ever solar farm, on a large scale, in Mabaruma. A sum of $264 million has been budgeted for this exciting event. When operational, the 400 kilowatt solar farm will afford an additional 17 hours of electricity to the 3,000 residents of Mabaruma. Furthermore, our Government has also advanced the pursuit of additional solar farms with a capacity of 800 kilowatts at Lethem, 400 kilowatts at Mahdia and 1.5 megawatts at Bartica. To complement public sector investment, the Government will be granting a one-off tax holiday of two years for corporation tax to importers of items for wind and solar energy investments, and for investors in water treatment, waste disposal and recycling facilities. These interventions, when finalised, will significantly improve the lives of our people, especially in the hinterland, by incentivising behavioural change, boosting investor confidence and ensuring energy reliability.

Our Government's energy efficiency programme will involve, also, the replacement of inefficient lights and the installation of 10,427 light-emitting diode (LED) lamps and 3,766 occupancy sensors in Government buildings, as well as 360 energy efficient outdoor lights. These interventions will result in annual energy savings of 0.93 GWh or 600 barrels of oil equivalent, with an estimated annual cost savings of $54 million, and avoided carbon dioxide emissions of 558 tons per year.

Overall, the renewable energy and energy efficiency interventions in 2017 will result in annual energy savings of approximately 2.8 GWh or 1,800 barrels of oil equivalent per year and an annual cost saving of approximately $193 million, and avoided carbon dioxide emissions of 1,674 tons per year. The simple payback period would be approximately 5.2 years, based on the combined investment cost.

In 2017, we will consider utilising the balance of the current Japanese Non-Project Grant Aid facility to the private sector, to procure 5,000 energy efficient street lamps. This endeavour will result in the replacement of the existing inefficient 250 W street lights with 120 W LED street lamps, resulting in energy savings of about $158 million annually, with other benefits such as a reduction in power demand of about 0.7 megawatt and environmental benefits of about 2,000 tons carbon dioxide emissions per year avoided. Based on the annual energy savings, this investment in energy efficiency will have a simple payback of less than 2 years.

Furthermore, in the pursuit of best practice and due diligence, the Government will conduct further geotechnical studies for the Moco Moco Hydropower Development Project. The results of the geotechnical studies, which are expected to be completed in 2017, will be used to invite bids for the hydropower re-development contract. Also, in the coming year, we will see data collection studies being conducted on wind energy via a demonstration wind project.

Before leaving the Green Agenda, I should like to say a few words on the forest and climate partnership agreement between the Co-operative Republic of Guyana and the Kingdom of Norway. The cornerstones of this agreement, which was signed in 2009, are to safeguard Guyana's rainforest, improve forest governance and support Guyana's holistic green development, including the transition to green and renewable energy. In a recent meeting held in the margins of the United Nations Climate Change Convention, in Marrakech, Morocco, both His Excellency President David Granger and Minister Vidar Helgesen of Norway agreed to have in place, early in 2017, an agreed work plan for detailing Guyana's clean energy transition. The two officials agreed, also, to continue a dialogue on how to develop their partnership in the 2020-2030 period.

D. Better Governance

a. Constitutional Reform

The Constitution of the Co-operative Republic of Guyana is the bedrock of governance and serves to secure the fundamental rights and establish the rule of law for all Guyanese. Therefore in a young democratic society, such as ours, that is still evolving, constitutional and parliamentary reforms will continue to attract the attention of this Administration.

In the new year, the Government will work assiduously to accelerate the constitutional reform process. In this regard, an administrative secretariat will be established to manage the reform process and support the consultations, which are scheduled to begin in 2017. Consistent with the broad tenets of participatory democracy, the Constitutional Reform Commission will hold consultations in all ten administrative regions. Over one hundred communities will be engaged in consultations and hearings and the entire process is expected to last for at least two years. A sum of $80 million has been set aside for this process, in 2017.

b. Local Government Systems

Local Government Elections were successfully held on March 18, 2016, after a hiatus of twenty-two years. These elections have given the people a true sense of participation and decision making power in our fledgling democracy. Since then, the elected 71 local democratic organs (LDO) have commenced the process of constituency engagement and community consultations with the various stakeholders, so as to get a sense of the priorities and inform their annual work programmes.

Further, building on efforts to promote an inclusive democracy, and guided by the principles of strategic planning, I am pleased to report that, this year, we completed the updating of six Plans of Action for Municipal Development to guide the implementation of localised priority recommendations and actions for Georgetown, New Amsterdam, Rose Hall, Linden, Anna Regina and Corriverton. We expect to complete Plans of Action for Regional Development (PARDs) for Regions 6 and 9 in the coming year, having completed Region 10's in 2016.

Kuru Kururu and Yarrowkabra, in Region 4, Barakara in Region 6 and Aranaputa in Region 9 will all be designated Neighbourhood Democratic Councils, to enable the citizens to have direct control over the development of their communities. Additionally, capital towns will be identified for Regions 3, 4 and 5, following the identification of Mahdia as the capital town in Region 8. These capital towns will serve as the official seat of governance and the central hub for the provision of public services.

Recognising the need for improved communication within and among the tiers of government, as well as with other stakeholders, we will implement, in 2017, a National Regional Development Consultative Committee (NRDCC). The NRDCC will target representatives of all Regional Democratic Councils (RDCs) and serve as an annual forum where strategic planning and coordination can take place towards improved governance and accountability. In addition, to complement these initiatives, we will be improving the management of selected LDOs, through training in leadership, good governance, planning, community engagement, and other related areas.

It is well known that the revenue base of our LDOs is woefully insufficient to finance the effective management and administration of their respective areas. The valuation regime and financial system within which the organs operate are grossly inadequate, causing the LDOs to be heavily dependent on financial support from central Government. This effectively compromises their autonomy. As such, throughout all levels of government services, we will be overhauling and modernising our national valuation systems and capacities in order to help LDOs improve the state of their finances.

In an effort to support self-governance within our Indigenous communities, the established National Toshaos' Council Secretariat has been allocated a sum of $16 million to enable the council to more effectively carry out its mandate and better promote the interests of our Indigenous peoples. In addition, under the Guyana REDD + Investment Fund (GRIF), approximately $165 million has been earmarked for the advancing of the remaining identified areas for land titling. In the last year, almost 1,000 square kilometres have been demarcated in Regions 1, 7 and 8, which will ensure security of tenure and more effective long-term planning for land use.

c. Justice Reform

The Government continues to place the highest priority on the maintenance of a strong justice system, given its role in upholding our civil liberties and maintaining the rule of law. To this end, key areas, which have been earmarked for strategic interventions, in 2017, include strengthening legislation to counter money laundering and the financing of terrorism; review of pre-trial detention policies; use of alternative sentencing; and constitutional reform.

While work will continue to secure and protect against financial crimes, we recognise that the manner in which we treat with other offences, especially non-violent minor charges, must be reviewed. Through the "Support for Criminal Justice System Programme", the Government will reduce the burden on the prison system by implementing a comprehensive institutional strengthening programme, aimed at influencing the use of penal and rehabilitation policy and law. Ultimately, we intend to reduce the use of pre-trial detention for persons accused of minor, non-violent offences by aggressively promoting the use of alternative sentencing options such as probation, community service, restitution and fines.

3.11 p.m.

d. Meeting Our International and Domestic Legal Obligations

The development of all elements of good governance, within a framework of transparency, equality, broad based citizen participation and rule of law, is both fundamental and continuous.

Our human rights commitments under international law, by way of treaties and conventions that concern children, women and the disabled, ending racial discrimination and protecting civil and political rights, will continue to vigorously engage our attention. Our national commissions and bodies, including the Public Service Appellate Tribunal, the Office of the Ombudsman and the rights commissions will be strengthened and operationalised within the strict context of our legal framework. Both the Public Service Appellate Tribunal and the Office of the Ombudsman will be re-constituted in 2017.

After years of bipartisan talks and consultations, the Public Procurement Commission was finally established, with the appointment of the five commissioners. The commission should be fully operational by the end of the year. It will assume the responsibility of overseeing the public procurement process, including the approval of the award of large contracts, a task which, previously, occupied the attention of Cabinet.

e. Anti-Money Laundering and Countering Financial Terrorism

The prevailing discourse on terrorism has demonstrated that threats to our way of life are not bound by any physical border or defined by any single visage. As such, the strengthening of our legislative framework to further enhance our capacity to prevent money laundering and arrest the financing of terrorism becomes critical. To this end, the Government has embarked on a tailored technical cooperation programme aimed at formally assessing the money laundering and terrorist financing risks. Following the articulation of possible risks, the programme will provide, also, assistance for the reform of laws, statutes and regulations required to address them.

I am happy to report that Guyana's 'grey' classification by the Financial Action Task Force (FATF) has been effectively nullified, after we were removed from the FATF and the Caribbean FATF follow-up procedures and documents. The development came following Government's implementation of key recommendations of the task force, which established the legal and regulatory framework necessary for effective countering of money laundering and combating the financing of terrorism.

f. Social Cohesion

Our Government is committed to creating a society that is characterised by mutual respect and tolerance. A cohesive society is a key ingredient to improving quality of life, and by extension, the enjoyment of the ‘good life’. In 2016, the Government commenced the development of a strategic plan for 2017-2021, with support from the United Nations Development Programme. The plan will draw from the inputs made at the Social Cohesion Round Table, held in September 2015, where five key themes were identified namely: economic equity and opportunities, citizen safety and security, social inclusion and tolerance, inclusive and participatory governance and harmonious ethnic and race relations. Twenty nine social cohesion sensitisation and strategic plan consultations have been held with stakeholders drawn from Regional Democratic Councils, Neighbourhood Democratic Councils, Nongovernmental Organisations, civil society, the Guyana Police Force, cultural and political groups, private sector, health workers and vulnerable groups. The strategic plan will be completed in the second half of 2017 and will focus on building unity within the framework of enhancing livelihoods in a green economy. In 2017, a sum of $90.1 million has been allocated to support the consultation process and other social cohesion activities.

E. Better Government

a. Public Administration and Public Financial Management

This administration has inherited a national crisis of institutional lethargy and ineptitude. All across the public sector, we are faced with issues of sluggishness in implementation, poor inter-agency coordination and cooperation and a deficit of strategic planning and management. We, as a coalition, are perturbed by this situation, as it is a daunting indication of the effort that needs to be invested in ensuring that public services of the highest quality are delivered to the Guyanese people. We intend to tackle this malaise frontally. Through the comprehensive institutionalisation of the tenets of results-based management (RBM), we will seek to have each and every sector design, adopt, implement, and continuously monitor and evaluate a comprehensive, inclusive, transformative and evidenced-based strategic plan. To ensure that our public servants, at all levels of government, are better equipped to develop and execute our vision and plans, the recently-opened Bertram Collins College of the Public Service will provide for a wide range of training in public administration and related fields. Our Government will also further the agenda of public sector reform by utilising the findings of the Commission of Inquiry into the Public Service to arrest the attrition of qualified public servants.

This administration is serious about reforming our public systems to ensure that they are delivering the outcomes and impacts the people of Guyana deserve. We are committed to employing the tools of results based management and providing the necessary resources to ensure institutionalisation and sustainability of the use of these tools throughout the government sector.

Strategic planning for this nation is a key priority of the Government. In this regard, we have engaged the Caribbean Development Bank to rebuild our capacity to plan at the national level. The consultants will work with the new Chief Planning Officer, who is expected to be in place early, in 2017. We will be embarking, also, on the process of developing a multitude of sector-specific strategic plans, including in the areas of social protection, information and communication technology (ICT) and housing. Emphasis will be placed on strengthening the capacity of select Ministries in public policy analysis and management and project cycle management, to ensure more effective, results-oriented governance, planning and budget implementation.

In the Budget 2016, I stressed the urgent need for public procurement reform. Having identified a myriad of deficiencies, the National Procurement and Tender Administration Board (NPTAB) has begun the process of preparing standard operating procedures, which will outline turnaround times for each stage of the procurement process and facilitate more effective planning on the part of the Ministries, departments and regions. At the budget agency level, the dearth of procurement planning compromises the pace of programme and project implementation. To address this, all agencies have been tasked with establishment, procurement and planning units in 2017.

In addition, NPTAB, in 2017, will expand its training programme facilitated by the Chartered Institute of Purchasing and Supply (CIPS), to ensure a larger cohort of officers is trained in procurement concepts and methodologies. The board has begun working with the health, education and sea defence sectors, through a pilot, to develop procurement plans for each sector, as well as to establish compliance monitoring for procurement within those agencies.

The existing procurement system is being upgraded to improve the quality of data, enable direct data capture by procuring entities and broaden procurement statistical analysis reporting to include, among other things, small business procurement, as specified in the Small Business Act, by all procuring entities, through clearly defined business processes. Through support from another development partner, we have begun the process of engineering standardised procurement, accounting and auditing compliant business processes across the National Procurement and Tender Administration and its appointed tender boards. These initiatives are intended to move Guyana toward a path of sustainable public procurement.

b. Expenditure Management

Ensuring that we exert prudence in public financial management, in light of existing macroeconomic and fiscal constraints, must remain a priority. To promote the efficient and effective delivery of services to our citizens, the Government has trained 190 public servants, in 2016, in key concepts of monitoring and evaluation (M&E) in our effort to expand the cohort of public servants who understand that simply being busy is not good enough. We will train another 200, in 2017.

Our signal of improvement in the area of expenditure management is the early presentation of Budget 2017, with the advantage of beginning the new year with approved budgetary allocations and with the ability to implement, from January 1, 2017, rather than losing as many as four months of the fiscal year, as has been the practice for the last 40 years. The disadvantages of a budget presented during the fiscal year are numerous and demonstrated over the years - late start-up of programmes, and the bottleneck effect in the third and fourth quarters that effectively chokes public sector processes and compromises private sector contractors' capacities to respond. It is alarming that budget agencies and managers have to attempt to spend over 40 per cent of their budgets in the last quarter alone - a most worrisome reality that raises concerns about transparency, accountability, and value for money. I intend to lay before this honourable House, an updated 2016 end of year statement within the first half of 2017.

In 2017, we intend to increasingly align and strengthen systems, procedures and implementation modalities to increase the absorptive capacity of the public sector. Several key strategies will include the development of procurement plans for key Ministries and training; and the utilisation of creative performance based contracts for project staff and Permanent Secretaries, in order to incentivise performance and delivery. These initiatives will build on a platform that will identify indicators for determining inputs, outputs, outcomes and objectives; set benchmarks and targets against which to measure progress; specify responsibilities and accountability and identify constraints and risks.

Despite our success at maintaining debt at sustainable levels, losing access to concessional external financing could result in substantially higher debt service costs over the medium-term. This year, the World Bank reclassified Guyana as an upper middle-income country, which will limit the availability of grants and "softer-term loans" from traditional lenders. To ensure that we have continued access to financing at affordable rates, we must be innovative in pursuing broader sources of funding, such as blending hard or non-concessional resources with grant resources to increase loan concessionality, and reaching out to non-traditional lenders. We must also mobilise domestic resources in support of our development goals.

The Government is pursuing policies to encourage a deep and liquid domestic bond market, which will increase fiscal space and give government more flexibility to respond to external shocks, while reducing our reliance on external borrowing. I am pleased to announce that Government will, in 2017, pursue the issuance of medium-term government bonds specifically dedicated to the financing of the fiscal deficit.

c. Data for Decision Making

In light of this administration's focus on evidence-based decision making and results-based management, it becomes imperative for quality data to be generated with the required frequency, scale and timeliness. Diagnosing the needs of sectors, regions and the problems faced by our people requires more than mere intuition and good intentions. We must identify the data needs, collect the data and use the data to drive a performance budgeting approach to development. Only then will we know whether our programmes are failing or succeeding. Only then can we hold ourselves accountable. It is my wish that we, as Government, parliamentarians and the people, focus on performance deliverables that are required for each of our projects, programmes, institutions, divisions and as individual servants of the people. The National Monitoring and Evaluation Strategy includes capacity building that has seen over 900 public servants trained to date, 190 alone in the last year. The execution of the strategy has further illuminated the urgent need for individuals and sector programme leaders, heads of budget agencies and Ministers to implement a theory of change approach, using robust data to inform policy interventions that are required to resolve the challenges that beset us in the delivery of services to our people.

Our sector Ministries must generate and disseminate timely data, especially in critical sectors such as health and education. For too long, we have laboured in the dark, not knowing our rate of unemployment or which demographic group requires the greatest attention. This Government has prioritised the undertaking of a continuous Labour Force Survey (LFS), which will be launched in the second quarter of 2017, with support from our development partners. Already, preparations are underway and personnel are being trained to capture data in the field, some of which will be done electronically for the first time. Over 80 persons will be trained by the end of 2017 in the use of handheld devices, so that all information previously collected on paper would now be collected electronically. The datasets to be collected for the survey include size, location, gender and educational profiles, occupational status and industry, age structure and regularity of work. In some instances, the LFS compared to the census, will collect data in a more detailed way and with the highest level of regularity, as this will be an ongoing survey conducted over four continuous quarters.

In my budget speech 2015, I identified the Bureau's commitment to establish an expanded, all urban, Consumer Price Index (CPI), which encompasses an expanded number of locations and allows for a comprehensive price average to be calculated that will be more representative of changes in the cost of living. With technical training and support from Statistics Canada, the Bureau is expected to introduce the new CPI by the end of 2017.

3.26 p.m.

Additionally, the Bureau will be publishing the final of four compendiums constituting the 2012 National Census analysis by the beginning of December 2016 and, a Poverty Measurement and Analysis Unit will be established in the new year. The Bureau will build capacity, also, in the area of national accounts with a focus on the measurement of the petroleum sector.

d. Tax Reform

If we are to take steps towards the promotion of a green development pathway that is economically diversified and geared to deliver the good life, in a manner that is responsible and with minimal externality, then we must ensure that our tax administration systems are kept abreast with the ever-changing demands of our evolving economy. As such, several key tax and administrative reforms will be undertaken by the GRA, in pursuit of improved tax administration for VAT, customs and internal revenue, in the context of a client-friendly and business-friendly environment.

A recent Caribbean Regional Technical Assistance Centre (CARTAC) study highlighted that approximately 20 per cent of the large corporate entities account for approximately 80 per cent of revenue collection. In recognition of this, the GRA will be establishing a dedicated unit to focus on all major tax administration functions of these entities including, but not limited to, monitoring compliance with their filing and payment obligations, audit, enforcing collection of arrears and taxpayer services. Coupled with the above, certain e-services will be tested by mid-2017, with a view of going live before the end of the year. It is the intention that every citizen will be able to access tax-related services on the internet and conduct transactions such as applying for a motor vehicle registration and driver's licence and file their annual income tax returns. This initiative will allow citizens to initiate transactions from the comfort of their homes and reduce the time spent for a trip to the GRA offices.

To expand the coverage to all of our peoples as well as to optimise revenue collections, we will be increasing the number of services offered by GRA across all of its branches. At a minimum, thirteen different services will be guaranteed at each of its locations across the country, by the second half of 2017, including the issuance of drivers' and motor vehicle licences, VAT registration, tax refund processing, and tax advisory sensitisation. Additionally, ports of entry will be established at Parika, Charity, Eteringbang and Morawhanna, and an additional branch office will be opened in the new year.

In the area of customs and excise, the GRA will be introducing a trusted trader programme, in order to contribute to the ease of doing business and facilitate private sector growth. Applicants to the programme will be awarded periodic certifications, if they are able to demonstrate regular compliance and adherence to the rules and procedures of GRA's customs and excise facilities. A certified trusted trader will be able to benefit from faster clearing of containers on the wharves and improved lead and lag times associated with the clearing of goods. This will be supplemented by post clearance activities and will be used to verify accuracy and authenticity of declarations, thereby moving from a transaction-based control environment to a stronger risk-based audit administration. Additionally, to facilitate both import and export scanning activities and also to meet international trade guidelines, the Government has taken steps to procure a fixed scanner, to bolster the capacity of the authority.

In addition, arising from the failure of the current Total Revenue Integrated Processing System (TRIPS) software, which has failed to provide complete solutions for effective customs administration, the GRA will be moving to a more modern, customised and proven customs solution called the Automated System for Customs Data (ASYCUDA), with single platform window services. Not only will this facilitate electronic manifests, but it will also reduce under-invoicing and transfer pricing that are prevalent. With the implementation of ASYCUDA, expected by the end of 2017, current commercial operations will be automated, resulting in improved services for trade, increased customs control capabilities, strengthened accounting and statistical capabilities, full risk-assessment and selectivity capabilities, and fully automated workflow management.

We are also improving the efficiency of our international trade transactions to harmonise both local and foreign interactions. The Government is moving to implement the 2017 Harmonised Commodity Description and Coding System (HS 2017), which will better align our revenue authority with international practices and uniformly apply the HS tariff codes for imported and exported goods. Our country is slated to be among the first to implement HS 2017, which will result in reduced costs and improved trade facilitation. Legislation to effect HS 2017 will be presented to the National Assembly in the coming fiscal year.

e. Financial Sector Reform

i. Addressing Derisking

Like other Caribbean economies, Guyana faces a potentially damaging correspondent banking crisis. The local banks and financial institutions of our small Caribbean economies rely heavily on correspondent banking relationships with global banks to connect with the international financial network. These relationships allow local residents to receive remittances from abroad, tourists to access cash from their home accounts and facilitate the transfer of funds needed to support trade and investment in our region. Recently, concerns about meeting new, stricter rules related to Anti-Money Laundering and Combating the Financing of Terrorism (AMLCFT) have led correspondent banks to terminate their relationships with their local partners, a practice termed “derisking". While this trend has affected countries around the globe, the small economies of the Caribbean have been hit especially hard.

While foreign-owned banks operating in Guyana have not been subject to derisking, locally owned banks have been severely affected by derisking, losing in the aggregate, approximately 37 per cent of correspondent relationships by end - June 2016. Thus far, only one bank has been able to establish new correspondent relationships to cover about 75 per cent of those that were lost. If this trend continues, financial transaction services may become costlier and more limited, and legitimate transactions may go underground, encouraging the use of cash and increasing other forms of informality at a time when we are attempting to deepen financial inclusion. The end result is likely to undermine the efforts to supervise and regulate the financial sector and fight money laundering and combat the financing of terrorism.

Guyana, in partnership with other Caribbean economies and international institutions such as the FSB, IMF and World Bank, is working to address the threat posed by derisking, through both advocacy and addressing the perceived risks that lead international banks to sever correspondent banking relationships. Guyana has enhanced compliance with the implementation of recommendations by FATF and the FSB. It is critical that international banks work with local banks to transfer practices that reduce risk, rather than severing relationships.

ii) Promoting Financial Sector Stability

In our ongoing efforts to enhance our supervisory framework, the Bank of Guyana has conducted a thorough review of its Risk-Based Supervision framework and drafted updates and a procedural manual. This enhanced document will be reviewed by competent authorities prior to publication and implementation. Additionally, a comprehensive review of all existing supervision guidelines is slated for 2017 and, in this regard, technical assistance is being sought from our multilateral partners.

Preliminary results from the IMF and the World Bank Financial Sector Assessment Programme (FSAP) of Guyana, conducted from May 10 - 24, 2016, indicated the need for legislative amendments to the Financial Institutions Act 1995 in ten areas as follows:

(i) The Bank's resolution powers for failing institutions;

(ii) Sharing of information;

(iii) Licensed Financial Institutions' credit exposure limits;

(iv) Prompt Corrective Action requirements;

(v) Protection of Bank's officers and agents;

(vi) Identification of ultimate beneficial shareholders and significant ownership interest;

(vii) Definition of related party;

(viii) Consolidated supervision and consolidated reporting;

(ix) Implementing administrative penalties and sanctioning policies; and

(x) Establishing the responsibility of Directors for safety and soundness of financial institutions.

We will work to ensure that the necessary amendments to the Financial Institutions Act 1995 are effected in an efficient and timely manner.

A strong legal, regulatory and supervisory framework for financial consumer protection is crucial to increasing responsible access to financial services, protecting financial consumers and preventing market abuses. During the third quarter of 2016, a diagnostic mission was conducted, in order to identify gaps and make appropriate recommendations to develop a suitable framework for financial consumer protection. Development of an action plan with recommended reforms to address these gaps will commence during the last quarter of 2016. Drafting of Financial Consumer Protection legislation and/or regulations, as required, will be a key objective for 2017.

Stress testing is a crucial tool for assessing the vulnerability of the financial system, allowing the Bank of Guyana and commercial banks to work together to build resilience against potential and identified weaknesses. In 2016, the Bank of Guyana made improvements to its stress testing toolkit, based on recommendations from the World Bank Financial Sector Reform and Strengthening Initiative and the FSAP team. In 2017, the Bank of Guyana will prepare a guideline on stress testing for use by the banking system, develop a macroeconomic stress test model for the economy of Guyana and develop a model for the assessment of interest rate risks.

To bring Guyana in line with international best standards for capital adequacy of banks, the Bank of Guyana has commenced preparation for the implementation of Basel II. In 2017, the Bank of Guyana will issue industry guidelines for Pillar I of the Basel II standards, which relate to minimum capital requirements. The guidelines will cover credit, market and operational risk.

The Bank of Guyana, in keeping with its mandate of developing and strengthening the financial sector, is considering the establishment of Deposit Insurance in Guyana. Deposit insurance promotes financial and monetary stability by providing a safe savings vehicle for small unsophisticated savers and by mitigating ‘runs’ on financial institutions caused by depositors withdrawing their funds en masse because of a loss of confidence in the financial viability of that institution. While the establishment of Deposit Insurance is dependent on the passage of new Deposit Insurance legislation, the Bank of Guyana has begun the examination of critical aspects of its creation, namely the deposit insurance coverage, contribution and premium rates and operational procedures in line with FSAP recommendations and recommended best practices.

The systemic failures of CLICO have reinforced the need for enhanced regulation in the insurance sector. The new Insurance Act, which was passed in Parliament earlier this year, is awaiting a commencement date. The drafting of attendant regulations to the Act is presently in progress. It is expected that the introduction of the new regulatory regime would lead to improved resilience in the sector to withstand any adverse shocks, which in turn, will serve to strengthen the sector’s financial stability. Re-engagement of stakeholders with respect to the draft Pensions Act, which is intended to reform the sector and to mitigate the existing supervisory challenges and poor industry practices, is also currently ongoing. Passage of this Act is expected to be completed in the coming year.

iii) Expanding and Deepening Access to Financial Services

Credit unions play an important role in the financial sector because they have significant potential to reach the most vulnerable income groups. However, their regulation has been a supervisory blind spot and various governance issues have surfaced in recent years. In 2016, a policy decision was taken to bring the supervision and regulation of credit unions under the purview of the Bank of Guyana. In 2017, the Bank of Guyana will work towards increasing credit unions' familiarity with International Financial Reporting Standards and improving internal control systems in a way that is appropriate for their complex governance procedures.

Agency banking, a form of banking in which representatives of the financial institutions carry out some financial services, also offers an opportunity to make financial services accessible to the wider populace, particularly rural communities. The Bank of Guyana has opened a line of consultations with the financial sector on the feasibility of implementing agency banking. Thus far, the bank is in the process of receiving feedback on this initiative from relevant stakeholders before proceeding further.

To continue the enhancement of the efficiency of the financial system, the Bank of Guyana, with the assistance of the World Bank will undertake a comprehensive and strategic modernisation of Guyana's National Payment System, to advance the use of electronic payments. The Bank of Guyana will play the lead role in this project, buttressed by the active cooperation of major stakeholders, inclusive of the Government, the single largest end-user of payment services**.** Over the next four years, the Bank of Guyana will undertake payments system regulatory reform and infrastructure development targeted at clarifying the legal framework for electronic payments, enhancing the efficiency of payment processing, expanding the use of electronic payment systems and reducing the costs of money transfers. According to a 2015 payments cost study, conducted by the World Bank's Payment Systems Development Group (PSDG), an efficiently functioning electronic payments system could save the Government of Guyana up to $266 million (0.04 per cent of GDP), annually, by switching from paper-based payment mechanisms to electronic payments, as well as create substantial savings for consumers and businesses.

f. Business and Investment

The Government maintains that a strong and resilient private sector is one of the cornerstones of a healthy and robust economy and is committed to maintaining a thriving and fair business environment so that our business owners and future entrepreneurs may prosper. To reinforce and continue to promote such an economic structure, the Ministry of Business has launched its 2015-2020 Strategic Action Plan, which focuses on improving the ease of doing business, attracting increased foreign investment, supporting the development and export of value-added industries, increased economic opportunities for and capabilities of vulnerable groups, and increased capacity to develop and promote sustainable business-friendly policies.

Between 2015 and 2016, Guyana has improved by 16 places on the ranking of the World Bank's Doing Business Index. This has been the largest single improvement achieved in our history of being on the index. To further improve our position, the Government will examine the viability of the recently recommended reforms of the World Bank in the areas of starting a business, registering property, trading across borders, getting electricity and obtaining construction permits, and we will develop an action plan for implementation.

Over the course of 2016, total investments, including foreign direct investments (FDI), facilitated by Go-Invest, totalled $114.8 billion, a significant improvement over the $89.3 billion inflow in 2015. This year's investments will yield over 6,000 jobs in various sectors, including 1,327 in agriculture, 1,366 in energy, 1,500 in ICT and 1,483 in tourism and services. In 2017, Go-Invest will target $139.8 billion in investment and the composition of the investment portfolio will be restructured to ensure greater diversification within the economy, with additional focus being placed on the tourism, agriculture and light manufacturing sectors. These ventures are estimated to create an additional 3,870 jobs. In addition, ongoing institutional strengthening will result in a more data driven, client-friendly, one-stop investment portal. To this end, our Government has allocated the sum of $213.2 million for the continued strengthening of Go-Invest in the new year. The planned implementation of the Single Window Automated Processing System (SWAPS), which will enable information sharing between licensing bodies and the Customs and Trade Administration, will reduce red tape for new investors, as well as local businesses. This will commence after the successful installation of ASYCUDA, later next year.

Government interventions towards the promotion of a healthier and more diverse business environment not only focuses on companies and firms, but also on the empowerment of individuals and the facilitation of small and micro-enterprise. While expanding its existing programmes aimed at fostering youth entrepreneurship, the Small Business Bureau will be extending its reach into educational institutions to expose students to entrepreneurial initiatives and skills.

3.41 p.m.

This new venture will include a competition which will see at least 10 students receiving grants to start their very own businesses. In addition, the Micro and Small Enterprise Development (MSED) Project will continue with its financing and training and development activities, targeting prospective and established entrepreneurs and small businesses. To this end, a total of 660 clients are targeted for training and business support. Additionally, a total of 600 micro-enterprises will be visited to review their business plans and the results of training facilitated by the Project. Also, to ensure a level playing field in bidding for Government contracts, our Government is enforcing the requirement that every endeavour be made to ensure that at least 20% of public contracts be awarded to small businesses. The establishment and growth of small and micro-enterprises will continue to be supported through a suite of programmes, including the Sustainable Livelihood and Entrepreneurial Development (SLED) Programme, which provides business grants and training for vulnerable groups.

F. Emerging and Transformative Sectors

a. Knowledge-Driven Government and Industries

This Government has long recognised the intrinsic link between Information and Communications Technology (ICT) and development. It is this Administration which successfully passed landmark legislation, effectively liberalising the telecommunications sector. It is our intention to consolidate and streamline the gains made to develop and legitimise ICT as a dynamic sector that can meaningfully contribute to diversified economic growth, labour productivity, employment creation and an improved quality of life. To guide the transformation process, the Government is developing a national information and communication technology strategy. Critical elements for consideration within the strategy are the creation and maintenance of an enabling legislative environment, development of human capital, public education and awareness and continuous exploration and incorporation of the most innovative ICT infrastructure.

To support this thrust, the Government will encourage investment over the coming years, in the ICT sector to enhance its transformative capacity within the broader economy. We will be moving to introduce a new ICT for development discourse in Guyana. *Smart Guyana* is a revolutionary approach aimed at incorporating ICT into every major sector of our economy and in every facet of our daily lives. It will connect all sectors of the economy and expand communication networks to include eCommerce, eHealth, eEducation, eAgriculture and technology for public security.

To begin what will be an ongoing process of legislative review and reforms to maintain the relevance of our laws and regulations, in the face of the ever evolving nature and dynamic of the ICT sector, several key areas will be examined in 2017. Specifically, the Government will aim to develop electronic transactions and data protection legislation. We will modernise, also, the existing intellectual property rights legislation in an effort to promote business confidence and innovation across the country. In addition, the Government will work with the Guyana Telephone and Telegraph Company Limited (GTT) to conclude negotiations to complete the liberalisation process of the telecommunications sector. This final and critical step will result in the opening up of the sector to competitors for landline telephone services and terrestrial high-speed internet which will, in turn, lead to significantly reduced cost, improved quality for consumers, and access for previously under-served and un-served areas, particularly the hinterland.

In conjunction with the legislative agenda for ICT, the evolution of this sector is undoubtedly dependent on the development of relevant human capital and public education. This year, the Government held the country's very first 'Hackathon', which brought together eight teams of ICT-savvy young individuals to work together to further enhance collaboration and the development of capacities to create technology-inspired solutions. The participants demonstrated their ability to create innovative solutions to issues, including incident-reporting platforms, payment systems for old-age pensioners and agriculture marketing platforms.

In 2017, another three of these events will be held. We will also be supplementing the human capital stock by deploying a multitude of rapid training programmes in areas, including graphic design, programming, office tools, and game development, targeting at least 150 individuals in the coming year. Further, the sum of $130 million has been allocated to complete the rehabilitation and equipping of the building that will house the newly created Centre of Excellence in Information Technology (CEIT). The Centre is to become the premiere ICT-related training facility in the country.

Finally, all of the transformative solutions referred to earlier must be underpinned by a corresponding investment in the ICT infrastructure for improved connectivity. Having already connected over 100 Government institutions in 2016, a sum of $314 million has been allocated, in 2017, for investment in infrastructure and equipment necessary to improve and expand this network, including provision for an additional tower and access points as well as virtualisation host hardware to provide a platform for communication between Government agencies. Additionally, following the completion of the National ICT Baseline Assessment, the Government will design and implement a project to support ICT access in the hinterland and other poor and remote communities in the first quarter for 2017.

b. Managing the Extractive Sector

The profile of our extractive industry is poised to be diversified in the not too distant future.

(i) Gold

Gold’s stellar performance in 2016 is expected to continue in 2017, maintaining its position as a key driver of economic growth. Contrary to the baseless assertions ventilated by certain operators, the Government will maintain existing concessions to the industry and will continue to work closely with all the stakeholders while ensuring adherence to declaration, tax, and environmental obligations.

(ii) Oil and Gas

Guyana stands on the precipice of being a significant oil producer within the next five years, if all goes to schedule. Following the discovery of oil at the Liza Well, two additional wells were dug in that area and I am pleased to report that, on 16th November of this year, Exxon Mobil Corporation made discoveries confirming that the Liza Well is of commercial interest and that we can look forward to the production of oil, for the first time ever, within the next five years. Currently, other companies are proceeding with exploration works on their various concessions. Additionally, new venture interests with respect to the ultra-deep water and shelfal areas are being examined.

The infusion of oil revenues could fund substantial industrial and social development in our country, moving it from a primary commodity driven economy to a regional trade and services hub, with substantial value-added production potential in our main commodity sectors. With substantial oil resources in the region and given the geopolitical challenges faced by our neighbours, Guyana, with the right amount of investment and technical expertise, can become a regional oil and gas services hub. This would create a substantial number of skilled and semi-skilled employment opportunities for our people. With the aim of ensuring maximum local participation in the oil and gas sector, the Government has been seeking guidance and studying various policy approaches. As demonstrated in this Budget, we intend to kick-start our development agenda by investing heavily in critical infrastructure, power, transportation, and logistics, among other areas. Also, we have developed a three-year programme, 2017 to 2020, that will cost approximately $650 million, to build capacity in various fields and disciplines, including petroleum engineering, fiscal accounting and analysis, petroleum and revenue management and national income statistics. The Government will be embarking on a nationwide outreach programme to enlighten citizens on the implications of the Liza Well discovery and to present policies and legislation pertaining to the various aspects of the burgeoning oil and gas industry. Apart from covering all 10 Administrative Regions, this outreach programme will engage, also, the private sector, youth and the diaspora, among other stakeholders.

(iii) Bauxite

The performance in the bauxite industry is programmed to improve further in 2017, benefitting from efficiency gains from increased investment in the more economical Kurubuka mine, opened in 2015, as well as the anticipated rise in global prices.

(iv) Manganese and Other Mineral Offerings

Following the purchase, by Bosai Mineral Group, of the Canadian interest in the Matthew's Ridge Manganese Project, manganese mining is about to renew its contribution to economic growth, while providing jobs and other opportunities in a depressed area in the Northwest region of our country. The promotion of other minerals, such as rare earth elements, will remain a priority within the national portfolio of mineral offerings, as the Government continues its drive to diversify the economy.

(v) Timber and Wood Products

In 2017, the Government, in collaboration with the private sector, will be working on a suite of measures to strengthen and improve the forestry sector's performance, including the reallocation of expired concessions that reverted to the State in 2016; the promotion of value-added products; and support to the private sector for the expansion and diversification of export markets. The implementation of these measures is expected to aid in restoring robustness to the sub-sector, improving productivity and reducing the vulnerability of our economy to external shocks.

Finally, the industry will continue to promote sustainable forest management principles with the Forest Training Centre Inc. set to train at least 300 loggers in various areas of sustainable forest management. The Government will also explore opportunities for non-timber uses such as conservation value, carbon value, non-timber forest products, among others.

c. Destination Guyana

Following the conclusion of the Golden Jubilee celebrations, the opportunities for furthering the development of the tourism sector have multiplied tremendously. Building on this momentum, the Government has completed a draft National Tourism Policy. The Policy includes a focus on developing market-ready tourism products; enhancing the quality of service; generating increased employment in the sector and improving tourism's contribution to economic growth.

In the launch of the first ever Coconut Festival in 2016, the Government has shown its willingness to explore and promote new tourism initiatives. The festival complemented other expositions, such as GuyExpo, Building Expo and Wedding Expo, and served to bring together innovative entrepreneurs while attracting new tourists. A total of 170,318 visitors arrived in Guyana during the first three quarters of 2016 and 11% increase when compared to the same period in 2015.

To ensure that the opportunity to benefit from the expansion of the tourism industry is provided to all, the Government will undertake a stock taking exercise of potential sources of tourism products within the 10 Administrative Regions, in 2017. This will clearly identify elements of nature, culture, heritage, community and other assets that could serve as the basis for the development of tourism in the Regions.

Finally, in 2017, Guyana will host the prestigious 24th Inter-American Congress of Ministers and High Level Authorities of Tourism which serves as a platform for the promotion of sustainable development of tourism through the sharing of experiences, technical cooperation, and bilateral engagement.

d. Infrastructure for Integration

An infrastructure network that can support rapid economic development requires huge capital investments. This is especially true of Guyana with its sparsely populated town and village centres scattered over its 214,970 square kilometres. Recognising this, we have allocated $37.2 billion to narrow the infrastructure deficit in the country, even as we pursue other financing options, including public-private partnerships for the large-scale, transformative projects.

We have been waiting for over five decades to bridge the coastal and hinterland divide and create national and hemispheric inter-connectivity via the Linden to Lethem corridor. A recent Inter-American Development Bank (IDB) market demand study has reinforced that this corridor is essential for creating a link between our road and sea transportation networks. We intend to exploit the competitive advantage of our strategic geo-physical and geo-political location on the South American mainland along the Atlantic Coast. In this regard, in 2017, our Government will:

(i) Commence the first phase of the Linden to Lethem Road project which spans Linden to Mabura Hill;

(ii) Commence work on a permanent fixed bridge across the Essequibo River at Kurupukari;

(iii) Seek funding to construct a road from Parika to Goshen, followed by the construction of a bridge from Monkey Jump to Bartica, complementing the bridge crossing the Essequibo River at Kurupukari;

3.56 p.m.

(iv) Resurface and rehabilitate, where necessary, the Linden-Soesdyke Highway;

(v) Pursue negotiations for the dredging of the Demerara River in order to reduce the need for high frequency, low capacity, offloading of vessels;

(vi) Commence discussions to develop a national port authority and to reconstruct, refurbish and upgrade Port Georgetown to reduce shipping costs, improve storage capacities and minimise loading and offloading times. It is expected that the Guyana National Shipping Corporation Ltd. (GNSC) will provide leadership in this venture, together with the involvement of the Shipping Association of Guyana, the Maritime Administration Department, and other port and wharf owners;

(vii) Conduct a detailed feasibility study for a permanent, high-level Demerara Bridge for which we intend to launch a prospectus to invite public-private partnership for its construction. Our forecast is that works will commence in 2017; and

(viii) Commence the first phase of our waterfront development programme, which includes undertaking feasibility studies and designs for the construction of boardwalks along Stabroek to Ogle and Vreed-en-Hoop.

For 2017, we have budgeted the sum of $14.1 billion for the continued development and maintenance of roads and bridges, of which $2.3 billion has been earmarked for capital projects in the hinterland. Targeted interventions include the Port Kaituma Road, from the airstrip to Fitsburg Housing Scheme in Region 1; Issano Road and Karau to Buckhall Roads in Region 7; Karasabai to Monkey Mountain in Region 8; and Aishalton Junction to Shea in Region 9. While this is ongoing, approximately $262.5 million will be expended in 2017 to prevent the further deterioration of the existing road network in the hinterland.

In spite of the huge investments in our road transport network, the number of fatal road accidents remains alarming. It has reinforced the need to improve road safety practices. As a means of promoting pedestrian safety, while improving the flow of traffic, we will construct the first ever pedestrian overpasses in the country at Liliendaal, Houston, Eccles, and Peter’s Hall, as well as the first ever vehicle overpass at the Diamond main access road. In addition, we have completed the National Road Safety Education Guidance Document and Best Practice Guide, which will be adopted by the Ministry of Education for incorporation into the school curricula in 2017.

Efforts will continue to improve river transportation. In 2017, a sum of $294 million has been budgeted for the rehabilitation of stellings at Bartica, Supenaam, Mazaruni, Morawhanna, New Amsterdam and Rosignol. In addition, about $240 million has been allocated to recondition the Malali, Sandaka and Lady Northcote vessels. Finally, approximately $295 million will be used to purchase a barge and dock several vessels. The continued maintenance and upgrading of these stellings and vessels will facilitate a normalised and safer flow of private and commercial traffic across our waterways.

Our sea and river defences remain as critical to our safety and future as ever, given the effects that climate change is having across our country. As a result, we have allocated a total of $2.5 billion towards the construction, rehabilitation, and maintenance of sea defence infrastructure in Regions 3, 4, 5, and 6.

We will continue to transform the air transport sector into a more mature network with increased capacities to facilitate the demands of our country. A sum of $385 million has been set aside to complete rehabilitation of nine airstrips across the hinterland and to commence rehabilitation of three more. This represents an interim intervention by the Government pending negotiations with the Caribbean Development Bank (CDB) for a larger project of about US$15 million to upgrade aerodromes and airstrips across the country. An Automatic Dependent Surveillance-Broadcast (ADS-B) system and an Air Traffic Control simulator were procured in 2016. These facilities will enhance our capacity to manage our airspace while at the same time aid in our quest to attain the International Civil Aviation Organisation (ICAO) Category One compliance, a key requirement for establishing direct routes to more destinations.

Finally, the Cheddi Jagan International Airport (CJIA) Expansion Project has progressed in 2016. Over $9.5 billion was spent on activities, including the extension of the runway from 7,500 feet to 10,800 feet and the commencement of works on the terminal buildings. In 2017, another $9 billion has been allocated to this Project, involving the completion of the terminal buildings and the relocation of squatters. By 2018, the CJIA would facilitate three additional parking positions for more aircrafts and be able to handle Code E apron trans-Atlantic aircraft, which will allow more direct connections to and from Europe and Africa.

e. Building Sustainable Communities

i. Water

In keeping with the 2030 agenda for sustainable development, the Government has allocated $2.8 billion in 2017 towards achieving universal and equitable access to safe and affordable drinking water. However, much work remains to be done to ensure an equitable and efficient delivery of high quality pure water. Over the next five-year strategic cycle, starting from next year, the Government will be using a five-pronged approach in pursuit of this objective. They are as follows:

(i) Improved level of services and water supply across the country;

(ii) Increased treated water coverage;

(iii) An expanded metering programme;

(iv) Loss reduction programme; and

(v) Improved billing and collection of water rates.

A portion of the allocation for 2017 is earmarked for the construction and installation of filters, aerators, and quality assurance systems at the Central Ruimveldt, Covent Garden, Grove, and New Amsterdam water treatment plants. In addition, new wells will be constructed at section ‘B’ Sophia, Vergenoegen, Pouderoyen, Westminster, and New Amsterdam, and water supply systems will be installed at hinterland locations, including Chenapau, Tassarene, Matthew’s Ridge and Yarikita. We will also improve energy efficiency in water supply by utilising solar photovoltaic systems for schools, health facilities, and Government buildings in Regions 1, 7, and 9 that will benefit over 2,500 residents.

In 2017, under the Non-Revenue Water Reduction Programme, provision has been made to replace deteriorated pipelines and increase metering coverage, which will see 15,000 metres installed by the end of 2017. Further, the water authority will be pursuing investment in an upgraded billing system in support of its loss reduction initiatives. In the area of water safety and quality, a laboratory has been established at the Shelter-Belt water treatment plant and will be complemented by the establishment of mini-laboratories at each of the 23 remaining treatment plants across the country. This will ensure the water distributed to the customers is of the highest quality, in accordance with World Health Organisation (WHO) standards.

ii. Sanitation

In an effort to preserve and protect the environment for the wellbeing of all, the Government will launch a national integrated solid waste management strategy in 2017, which will focus on maintaining a cleaner environment and providing better public health protection. In order to minimise the public health hazards that have arisen from improper waste dumping, the Government has allocated $338 million for the design and construction of new sanitary landfill sites in Bartica and Linden. In addition, landfill sites at Belle Vue, Lusignan, Lethem, and Mabaruma will be upgraded while a new temporary holding area at the Haags Bosch Sanitary Landfill will be created. Further, to maintain the aesthetics of our communities, we have allocated a sum of $150 million for the Community Organised for Restoring the Environment (CORE) Programme, which will employ 20 small community groups throughout the country to undertake upgrading, refurbishment, rehabilitation and beautification of the immediate and contiguous areas of public works sites.

In addition, the Government will roll out a nationwide public relations campaign, which will seek to effect behavioural change in the populace. Having already focused on the schools, the wider public will be targeted for education in proper solid waste disposal practices, including the separation of organic from inorganic litter and waste reduction principles.

iii. Housing

The Central Housing and Planning Authority (CHPA) has reviewed the process of allocating house lots, given the approximately 25,000 applications on file, of which almost 18,000 are low income individuals. Concerns about the low occupancy of many housing development areas have led to reviews of the mechanisms used to enable home ownership. What has been revealed is the lack of a holistic approach in providing quality and affordable housing in safe, well-serviced communities. Many recipients of house lots remain unable to start construction while others have been allocated lots in areas that are woefully underdeveloped and without basic infrastructure. Still many more are saddled with poorly constructed 'turnkey' homes. The Housing Profile study is in progress and will be the basis for the preparation of the national housing policy which is expected to inform the revitalisation of the sector so that it can fulfil its catalytic role within the economy. This year, a total of 1,921 new house lots were allocated to potential home owners; 4,208 land titles were distributed; and 173 squatters were regularised.

A new model for providing for the housing needs of the thousands of low income individuals is being considered in recognition of the critical links between housing construction, home ownership, consumer spending, revenue generation and economic growth. Going forward, the mode of providing affordable housing will include a mix of multi-storey apartment buildings, duplexes, and single family homes within sustainable community structures. In keeping with our green agenda, structural designs will integrate elements for improved natural lighting and ventilation. While this is ongoing, works will be accelerated to complete the infrastructural development of prioritised housing areas where allottees have indicated their readiness to begin construction. The Authority is expected to access its own funds to undertake this ambitious programme in 2017.

In 2017, the Government's priority action areas in housing will be initiatives targeting low-income and State employees. These initiatives will involve a comprehensive feasibility assessment of existing housing areas, squatting areas and land for future development; the consolidation of planned housing areas; and the upgrading of regularised squatting areas. Given the huge demand for house lots and the limited availability of serviced lots for distribution, the Government intends to pilot a project to construct apartments, condominiums and wooden houses in existing planned areas such as Stewartville, Cummings Lodge, Perseverance, and Amelia's Ward. Also, for 2017, the Government has allocated $100 million, under the Hinterland Sustainable Housing Programme, for the construction of 115 subsidised housing units and 45 roof and water catchment system subsidies in Regions 1 and 9.

On the softer side, the Government, through the CHPA, will strengthen its planning function in this sector by holding national planning forums, formulating development plans, organising community development projects, sensitising the general public on building codes and standards, and building the capacity of small local contractors.

f. Production Transformation and Agricultural Diversification

Traditional agriculture has played a significant role in our economy. Unfortunately, over the last 150 years, our agricultural fortunes have been anchored mainly on rice, sugar and a small scattering of other crops. Our undiversified agriculture sector has become the albatross around our neck as our main crops are often subjected to the vagaries of price, climate change and indifferent management, among other problems. As such, there is great urgency for us to evolve with the changing times and, post haste, pursue an aggressive, diversified, agricultural programme. This programme, of necessity, must involve not only primary-staged commodities, but also inputs into the value-added production of food, energy, medicine, and industry, to name a few. In 2017, we will begin to responsibly open the vast Intermediate and Rupununi Savannahs and the arable lands on the upper reaches of the banks of our many rivers for large agricultural plantations, with a focus on applications for agro-processing and agro-industries. We will explore options for non-traditional agricultural crops such as corn, spices, and quinoa.

4.11 p.m.

In 2017, expenditure in the agriculture sector will concentrate on rapid diversification and enhanced competitiveness. In this regard, a total of $20.6 billion has been allocated to improve drainage and irrigation systems, increase cultivation and productivity in traditional agriculture, promote large-scale agriculture in the Intermediate and Rupununi Savannahs and strengthen the livestock and fisheries sub-sectors. In addition, the Government will be exploring options for the incorporation of efficient green technology in agriculture production and practices.

The *status quo* of the sugar industry can neither be sustained nor maintained. As currently structured, the industry would require Government's support to the tune of $18.6 billion and $21.4 billion for the years 2017 and 2018, respectively. This is an untenable position, one that would seriously jeopardise the fiscal stance of the Government while compromising resource allocation to other critical and important areas. The stark reality of the situation is that money injected into sugar in its current state is money wasted. It will make no impact on the operating losses and cash deficit status of the industry.

Radical re-organising of the sugar industry is required as a matter of urgency, for the continued postponement of the hard decisions on the Guyana Sugar Corporation's (GuySuCo's) future will result in the Corporation incurring even more debts, estimated currently at $80 billion, and an escalation of the demands on the Treasury. Recognising this grave situation, a Cabinet Sub-Committee has been established, tasked with making definitive recommendations for implementation by the end of 2016. This Committee has been examining all options and will make a full report to the Cabinet of Ministers, shortly. Meanwhile, for 2017, the Government has made an allocation of $9 billion to support the financing of GuySuCo's operations. This brings to $32 billion the amount of resources that have been provided to this Corporation since Government acceded to office in May, 2015.

In order to improve the livelihoods and income of rice farmers, as well as contribute to our national food security, works are apace to decentralise the production of seed paddy and introduce new high-yielding rice. This will see the launch of candidate varieties of rice across the regions, and will be accompanied by specially designed research and extension programmes formulated to improve productivity at all levels for farmers, millers and exporters. Furthermore, in 2017, diversification in the speciality rice varieties, such as aromatic rice, will continue and increased emphasis will be placed on the development of value-added products such as rice/ wheat flour blends, rice noodles, pasta and pre-cooked rice products.

To ensure that the benefits gained from the agriculture diversification and transformation process are realised equitably, the Government will invest in the construction and upgrading of extension offices and facilities in the Intermediate Rupununi Savannahs. These facilities will cater for research and other services to the people of the hinterland regions. Provision is made for the extension of farms at Ebini and Hosororo to facilitate the expansion of orchard crop production and demonstration farms for turmeric, black pepper, ginger and citrus for farmers and potential investors. Further, accommodation and laboratory facilities in Region 8 will be rehabilitated to support food security in the region.

In the area of drainage and irrigation, in excess of $2.3 billion is allocated for the completion, construction, rehabilitation, and maintenance of structures, including pump stations and sluices, and the purchase and installation of drainage and irrigation pumps. The National Drainage and Irrigation Authority (NDIA) will complete a comprehensive mapping of all drainage and irrigation structures and systems.

To build a more robust and competitive livestock sub-sector, the Government will continue to focus on animal health, through greater disease surveillance and control, genetic improvements for enhanced productivity and profitability of cattle, and animal production. To this end, in 2017, the Government will train our veterinary diagnostic laboratory technicians in areas such as microbiology, serology, pathology and molecular biology. Further, efforts will be made to enhance embryo transplant services, which play a critical role in producing pure-bred calves.

In an effort to promote a more mature and well-rounded fisheries sub-sector, the Government has signed on to the Port States Management Measures Agreement, which seeks to combat illegal, unreported and unregulated fishing. In addition, we will explore the option of the further promotion of deep sea fishing, as it is currently an underutilised resource that is within our Exclusive Economic Zone (EEZ). The private sector has already taken the initiative to pursue this option and has invested US$15 million in a processing plant for tuna – the first ever commercial tuna venture in the country.

G. National Security

a. Foreign Policy, Economic Diplomacy and Diaspora Relations

This year saw the redeployment and reinforcement of our foreign-service personnel *en masse*. Our diplomatic presence abroad has been restored and bolstered with the stationing of 18 Heads of Mission across the globe, including at the two newly established missions in Trinidad and Tobago and Switzerland. This mobilisation of our foreign service comes at a most opportune time, for, in addition to garnering support for our national interests and protecting our national sovereignty and territorial integrity, it has begun to deliver economic benefits. Already, our efforts in Cuba have resulted in the signing of a Memorandum of Understanding between a private Guyanese rice company and a Cuban import agency. The market demand in Cuba is anticipated to reach as high as 200,000 metric tonnes in 2017.

In February, 2017, Guyana will be chairing the 28th Inter-Sessional Meeting of the Conference of Heads of Government of the Caribbean Community (CARICOM). The bloc will be addressing critical regional issues, including the implementation of the CARICOM Single Market and Economy (CSME). Also, at the multilateral level, within the framework of development cooperation between the European Union and the African, Caribbean, and Pacific Group of

States (ACP-EU), Guyana will examine the option of pursuing an E-Visa regime, which is expected to reduce the cost of and improve access to visa applications and processing for foreigners wanting to visit the country. The new year will see us, also, exploring new options and avenues for growth and development while we continue to engage our partners in critical issues such as human rights, democracy, environmental sustainability, trade and investment at various multilateral fora, including the Union of South American Nations (UNASUR), Southern Common Market (Mercosur), and the United Nations. In addition, we will also reinvigorate our engagement with the Diaspora with the development of a Diaspora strategy which will guide our engagements with Guyanese abroad with more precision and concerted effort. For these initiatives and undertakings, we have budgeted the sum of $5.2 billion towards our diplomatic efforts in 2017.

b. Safeguarding Public Security and Rebuilding Public Trust

The safety of our people and property, and maintenance of public order remain key priorities of our Government. Enshrined in Chapter III of our Constitution is every citizen's right to "security of the person and protection of the law". However, we continue to be bombarded on a near daily basis about a range of criminal activities, from petty to fatal, that is occurring across our country.

This Government will continue to keep our crime prevention and reduction strategy under constant review, and will implement a menu of measures aimed to both prevent and respond efficiently to crimes against our people and property. Among the measures are:

(i) Increasing recruitment of police officers, by approximately 20%, to boost the police presence as a deterrent to crime;

(ii) Equipping the police with vehicles and specialised equipment and improve mobility and response times to reported crimes;

(iii) Expanding patrols in key areas to deter criminal activity;

(iv) Re-establishing and operationalising the 911 service to restore public confidence in the response capability of the security services;

(v) Strengthening the Integrated Crime Information System to ensure sister agencies such as GRA, Customs Anti Narcotics Unit (CANU) and the National Anti-Narcotics Agency (NANA) share intelligence to enable the police to coordinate, intercept and detain criminals;

(vi) Strengthening the Office of Professional Responsibility to deal with rogue cops; and

(vii) Expanding surveillance, utilising closed circuit television camera at both Airports and in the city as well as the development of the Smart City Framework over the period 2017 to 2019.

Prevention measures will also target over 1,000 at-risk youth to be trained in a nine-month programme in technical and vocational skills in 2017. It is anticipated that the empowerment and education of youth in livelihood-building skills will help to reduce the incidence of delinquency and crime.

Another measure that is being implemented is the launching of a multi-agency collaboration to tackle narcotics, smuggling and human-trafficking. In December of this year, the NANA will be launched to promote greater coordination between the agencies that are involved in the fight against illegal drugs as well as transnational crimes such as contraband smuggling, and gun and people trafficking. The National Drug Strategy Master Plan and a draft of the Trafficking in Persons (TIP) Master Plan, both of which were completed in 2016, will serve as a strategic guide for our efforts going forward.

Additionally, as we continue to aggressively promote the integration of ICT across all sectors, the Integrated Crime Information System (ICIS) will be expanded in 2017. The system is designed to connect our different security-sector related infrastructure, with the goal of improving intelligence and prevention and response tactics. In preparation for the expansion, about $42 million was expended in 2016 to procure related equipment and network infrastructure to enhance the connection of police stations to the data centre. In the new year, approximately 30 police stations in Regions 3, 5, 6, and 10, as well as Georgetown and New Amsterdam Prisons, will be connected to the System.

We will continue to improve the capacities of our security services on all fronts. To this end, in 2017, we will be upgrading 12 police stations across the country to handle domestic violence interviews. Further, in tandem with the establishment of Community Action Councils, the Government will develop community safety plans for 20 communities with the highest crime and violence rates. The plans will serve as a guide to improving community awareness towards reducing the risk of crime and anti-social behaviour. Finally, a study on violence against women and a study on crime and violence in Indigenous communities, as well as a Safe Neighbourhood Survey, are to be conducted in 2017.

In order to offset the overcrowding of the Georgetown Prison, the complex at the Mazaruni Prisons will be greatly expanded at a cost of $2.2 billion, of which $369 million is budgeted, in 2017, and will see the expansion of offices, inmate living facilities, staff and family living facilities, training facilities as well as the construction of a school, day care centre and places of worship.

For the first time, a Port Georgetown fireboat will be added to the fleet of fire vehicles, at a cost $250 million, to service Port Georgetown. In addition, expanded fire protection services has resulted in $49.4 million being allocated for two water tenders in Leguan and Wakenaam as well as two ambulances to augment the integrated 912 and 913 emergency services to improve response time. Three new fire stations, costing about $77.5 million, will be constructed at Mahdia, Mabaruma, and Melanie Damishana.

In summary, in 2017, the Government will expend $29.1 billion to restore public confidence in our security sector.

H. Harnessing Our Human Capital

a. Education for Development

The quality of the education afforded to our citizens will determine how we, as a nation, advance and compete within the global economy. Integral to the achievement of a diversified, green economy would be a cadre of educated, skilled, creative, dedicated individuals who are critical thinkers and are inspired to achieve for themselves, their country, and the world. Our Government recognises that the problems which beset the sector must be tackled at the core, beginning from early childhood through to university and beyond. We must recognise that a successful, well-rounded child is a product of his or her home environment, good parenting, and dedicated and competent teachers within a supportive and healthy community. We cannot afford to fail our children, who are our leaders of tomorrow, for to do so would be tantamount to undermining every sector of our economy and, ultimately, condemning our nation and future generations to a life of pessimism and poverty. We, therefore, have to ensure that we properly diagnose the problems and apply solutions that seek to structurally change the mode, scale, and regional appropriateness of interventions. Our Government cannot and will not fail our children.

4.26 p.m.

This year, the Mathematics and English Language results at the Caribbean Secondary Examination Certificate (CSEC) examination and, more particularly, the National Grade Six Assessment (NGSA), were very depressing. The results for English and Mathematics, at the Grade 6 level, were distressingly alarming. Our 10 and 11 year old boys and girls took tests on core subjects, which resulted in 14% passing Mathematics, revealing that over 12,000 of our children were not numerate, while more than half of those writing English could not sufficiently comprehend our official language to attain a 50% score. This is a crisis!

Our Government has wasted no time in tackling this crisis head-on. We have undertaken a series of responses to address the institutional, human resource and strategic planning deficiencies that have plagued our education system for many years. In the near and medium terms, interventions would include:

(i) Implementing the Programme for Emergency Education Reform (PEER) at a cost of $337.4 million to provide an initial and rapid response that will:

   i) administer diagnostic and needs assessments across the country for school, class, and child;

   ii) recruit and retain mathematics specialists;

   iii) train school administrators for improved monitoring;

iv) train teachers in content and methodology;

v) roll out a parent involvement strategy in every region; and

vi) expand, immediately, the number of class periods assigned to mathematics at both the primary and secondary levels beyond the existing meagre four periods;

(ii) Commence and complete the curriculum reform across the entire public education system. Alarmingly, it should be noted that comprehensive curriculum reform has not taken place since 1999;

(iii) Accelerating the development of appropriate job descriptions and commensurate remuneration packages, in order to attract specialists and relevant personnel in conjunction with the Public Service Department and the Public and Teaching Service Commissions, to fill critical human resource gaps across the country by mid-2017;

(iv) Training of all education-related personnel to improve the attitudes, motivation, and approaches to education delivery with specific focus towards innovation in learning;

(v) Redefining the duties and responsibilities of school administrators to ensure that sufficient time and energies are available for supervision of teacher-pupil performance and mentoring;

(vi) Strengthening the early childhood development system in the country;

(vii) Addressing the differences in learning methodologies for boys and girls; and

(viii) Developing two model schools that are of the highest, modern, infrastructural standard and can facilitate the incorporation and testing of new and innovative technology, creative delivery and learning techniques and environments, and contemporary learning materials and curricula. These schools will remain centres of education innovation permanently.

The priority, which we have given to the education sector and the increased emphasis that we will be placing on the delivery of quality education across all levels, is reflected in the budgetary allocation of $43.1 billion, or 17.2% of the 2017 budget. It is expected to have a more definitive role in changing our development trajectory. Included in this allocation is a sum of $1.9 billion for the school feeding programme and $578 million to purchase textbooks. Together with the President's 5 B's Programme, these measures are expected to result in improved attendance, attentiveness and productivity. Further, to address issues of overcrowding and facilities' improvements, over $3.5 billion has been allocated to construct, extend, rehabilitate and maintain schools, teachers' quarters and other buildings. Within this, several new schools are slated for completion, including Bamia Nursery and Primary in Region 10 and Baramita Nursery in Region 1.

A total of 481 trained teachers were added to the pool of qualified teachers in the public school system this year. In 2017, we will aim to add another 600 to afford each student increased quality contact time. Furthermore, we will step up distribution of computers under the One Laptop per Teacher Initiative (OLTI), which was launched this year. Approximately 9,500 laptops will be distributed to teachers countrywide to improve classroom instruction and productivity.

In the area of Technical Vocational Education and Training (TVET), about $2.4 billion will be invested in the coming years to improve learning outcomes of students, at the secondary level, with the aim of expanding the pool of employable, certified labour that can adequately bridge the skills gap. This investment will see the expansion of TVET programmes into our four hinterland regions. Special focus will be placed on improving access for persons with disabilities.

In keeping with our commitment to ensure that all sectors incorporate the fundamentals of a green economy, the Ministry of Education has partnered with the Guyana Energy Agency (GEA) to reduce the usage and cost of electricity in schools, having conducted energy assessments at 29 secondary schools. We have rehabilitated 1,870 watts of photovoltaic systems and installed systems at selected schools in the hinterland regions, so as to facilitate the resumption of the interactive radio instruction (IRI) programmes and improve lighting in these schools.

Our national university remains critical to enhancing our human capital stock necessary for the diversification and "greening" of our economy. We look forward to the on-going repositioning of the University and the efforts to generate revenues and pursue investments that will create a more financially sustainable institution. In 2017, the Government will allocate $2.9 billion to support the university's operations and construct a teaching and learning complex for mathematics and science. The Student Loan Agency will be restructured to: (i) ensure institutional sustainability, (ii) achieve efficiency in processing of student loans, (iii) enable an electronic database to improve client interactions and (iv) improve customer service.

Mr. Speaker, increased financial allocations alone will not suffice to transform our sector, if teachers are either unpunctual, are frequently absent from classes, or when they do show up for classes, are deficient in classroom instruction and management. It will not suffice if parents are not investing their time and effort to support learning outcomes. It will not suffice if a head teacher fails to care and to supervise. It will not suffice if a Regional Education Officer (REO) is not held accountable for learning outcomes. It will not suffice if our lecturers at University do not show up for class, fail to deliver the content, and are tardy in the submission of student grades, and it will certainly not suffice, if we, as Parliamentarians, fail to prioritise the education of the next generation. All must change their attitudes towards educational development in this dear land of Guyana.

b. Moulding a Healthy Nation

This Government continues to prioritise the health and well-being of the people as a pillar for ensuring economic development, happiness, productivity and prosperity. In 2016, we expect to expend over $27 billion, or 12% of the national budget, in the health sector. In 2017, this will increase to $31.2 billion, or 12.5% of the budget.

The national health sector strategy – the Health Vision 2020 – continues to guide investments and interventions in the sector, with the ultimate aim of achieving universal coverage for health care. However, we cannot hope to achieve this vision without an efficient, modern health system, with adequate human capacity and quality health infrastructure. We must address these core issues, which hamper our ability to address serious health challenges such as the proliferation of non-communicable diseases, mental health, and emerging diseases such as the Zika Virus. The Government will examine a multi-sectoral, low-carbon approach to development, which prioritises improvements in public health.

Investments in health infrastructure and the ability to attract skilled health human resources are critical for delivering specialist health services, especially in remote hinterland communities. In 2016, the Ministry of Public Health expended $48.4 million on medical evacuation services for

93 cases that were unable to be treated in their respective regions and were referred to the Georgetown Public Hospital Corporation (GPHC), the national referral hospital. The focus, in 2017, will be on equipping and upgrading district hospitals to deliver the full suite of mandated services, as this would lead to greater equity between the hinterland and coastland. Additional specialists, specialising in areas such as paediatrics, internal medicine, obstetrics and gynaecology, dental, and general surgery, will be deployed in Regions 1, 8, and 9.

The Government has allocated $2 billion for the improvement and maintenance of health infrastructure countrywide. Particular emphasis will be placed on upgrading health facilities for district level hospitals and comfortable living quarters to attract the necessary medical personnel in the hinterland, in areas such as Baramita, Bartica, Kamarang, Mahdia, Port Kaituma and Annai.

Another priority area of focus is bringing our laboratory facilities up to modern and international standards. To this end, progress is being made by the Government Analyst Food and Drug Department (GA-FDD) to gain accreditation for its laboratories, which certify food product manufacturers, exporters, and re-packagers. In 2017, a sum of $110 million is budgeted for the Department to begin construction of a new laboratory and administrative building, and a further $65 million will be used to procure laboratory supplies, quality control aids and proficiency testing materials. In addition, the National Public Health Reference Laboratory (NPHRL) will also aim to strengthen its Quality Management System (QMS) with the end goal of achieving the International Organisation for Standards' ISO:15189 accreditation relating to quality management system requirements. This will minimise our dependence on overseas testing.

The Millennium Development Goal (MDG) Acceleration Framework (MAF) to improve maternal health identifies five bottlenecks and proposes solutions that continue to guide the interventions to address maternal health. To supplement the on-going work of the Maternal and Child Health (MCH) Unit, the initiative "Support to Improve Maternal Child Health", will come online, in the new year, with the support of a development partner. Upon successful implementation, this US$8 million project will contribute to the reduction of maternal, perinatal, and neonatal deaths in Guyana by:

(i) Strengthening the primary level of care for health services in Regions 3, 4, and 9;

(ii) Improving the supply chain for contraceptive methods, drugs, and blood products;

(iii) Strengthening of the maternity waiting home strategy, including the development of individual and community plans to support women and newborns;

(iv) Improving health information;

(v) Training of health workers in the Regions previously stated; and

(vi) Strengthening the capacity of the MCH Unit.

Recognising one’s mental health is as important as one’s physical health, and in light of the upsurge in suicides, Government has prioritised training of health professionals. A total of 250 of these health workers were trained in 2016, and over 300 of them will be targeted in 2017. We expect to begin construction of the Mental Health Institute in the second half of the upcoming year.

Over $6.5 billion has been allocated in this budget to procure drugs and medical supplies for our citizens who access public health facilities. Although we have been budgeting adequate sums of money, our population continues to experience frequent non-availability of drugs and medical supplies at almost every public health facility, suggesting a number of problems in the procurement, storage, and distribution systems. This problem will be arrested by ensuring that the process is informed by data driven health information systems in order to ensure more consistent supplies and avoidance of waste.

c. Our Youth, Our Future

Youth represent approximately 60% of our population. If we are to ensure that they are well equipped to be independent, viable, and productive members of society, then we have to ensure that we are strategic in our interventions to support this vital demographic group. In this budget, we have made efforts to stimulate job creation, while providing the necessary allocation to enhance educational and entrepreneurial opportunities. With the right knowledge and skills, our youth can become self-dependent, contributing to an expansion in the gross domestic product and household incomes while reducing unemployment.

Our Government has implemented a variety of programmes to target youth unemployment, including:

(i) The Youth Entrepreneurial Skills Training (YEST) programme;

(ii) The Sustainable Livelihoods and Entrepreneurial Development (SLED) initiative which has seen an increased allocation to$100 million in 2017;

4.41 p.m.

(iii) The Hinterland Employment and Youth Service (HEYS) programme which has been allocated $991 million in 2017; and

(iv) The Caribbean Vocational Qualification (CVQ) platform for certified training for out-of-school youth.

In 2016, the Government continued its work under the Hinterland Employment and Youth Service project, which was launched as part of its Plan of Action for Hinterland Development. The programme, which was designed to engage the youth population and improve their entrepreneurial skills, trained 1,976 youth, consisting of 579 males and 1,397 females, in areas such as joinery, masonry, auto mechanics, electrical engineering, craft, and information technology. In 2017, we will complete training for the first cohort of students, who will receive grants upon submission of viable business proposals, and engage a second cohort of over 1,000 youth throughout the hinterland regions. These graduates are intended to use their newly acquired skills to develop sustainable business ventures to benefit themselves and their communities.

We are concerned about the hundreds of out-of-school youth, who, in their thirst for knowledge and certification, get trained in non-certified programmes. This year, we will be upgrading towards Caribbean Vocational Qualification (CVQ) certification, which will make our young people more employable in the job market, both within Guyana and across the region, and encourage continuous professional development.

I am pleased to announce the creation of the Youth Innovation Fund (YIF). This Fund will provide a financing platform to launch exceptionally innovative ideas, harnessing the energetic and creative minds of our young people. The criteria for accessing this programme are still being finalised, but will include levels of originality, viability, applicability beyond demonstration, and maintaining zero net impact on the environment. This Fund, which will be overseen by a multi-stakeholder steering committee, will be endowed, initially, with a sum of $50 million with the intention of supporting successful start-up applicants.

d. Families and Children

Our Government's commitment to strengthening family structures will see an expansion of support systems and programmes designed to result in improved quality of life for children, women, and men. This and preceding budgets of this Administration have sought to provide safe and serviced communities across our country to enable the family unit to flourish. However, we must accept the reality that some family structures become less than ideal. To facilitate the process of reconfiguration, we operationalised the long awaited Family Court, in 2016, to handle all issues relating to family, including divorces, adoptions, and custody. The Court will serve to resolve matters in a participatory manner while prioritising the well-being of children who might be involved.

In addition, we must continue to address the issue of upbringing and child rearing. The upbringing of children is the responsibility of adults and, as such, we must ensure that we work with parents and guardians who are most in need, to ensure that all children have a happy and productive childhood. To this end, the Child Care and Protection Agency (CPA) will be rolling out a special parenting skills capacity building programme for parents or guardians whose children were temporarily removed from their care. It is expected that around 280 parents will benefit from this training, in 2017. To address the backlog of children in institutional care, whose placement is not temporary, and alleviate the financial responsibility that comes with adopting a child, a new mentorship to encourage persons to foster a child will be implemented during the during the first quarter of 2017. Our Government has provided a further incentive through a decision to increase the Foster Care stipend to $20,000, with effect from 1st January, 2017.

e. Elderly and Persons with Disabilities

Care for the elderly has suffered from a number of setbacks, including the inability to attract and retain committed resources, limited ownership from families to assist in the general care and welfare of the elderly and poor management. In the new dispensation, elderly citizens can expect to benefit from improved care through the implementation of minimum standards, which seek to provide modern institutions for them. It is envisaged that these standards will be elevated to ensure that elderly persons are respected, treated fairly and with dignity, live productive lives and are in constant contact with loved ones. In addition, our senior citizens' residential facility will benefit from substantial repairs to the tune of $89.5 million in the new year.

Our Government's prioritisation of our elderly citizens is reflected in the measures we have taken in the last two budgets to improve Old Age Pension (OAP) by 39% and removal of the requirements for them to pay for drivers' licenses and the travel tax, among others. These citizens can expect further benefits in this budget.

In addition to receiving financial support through the Public Assistance Programme (PAP), we believe that persons with disabilities should receive the same opportunities for improvements to be made to their quality of life as the next person. To this end, the Board of Industrial Training (BIT) has expanded vocational training of differently-abled persons and, in addition to the Deaf Association of Guyana, has established a new relationship with the Guyana Council of Organisations for Persons with Disabilities and strengthened the partnership with the Ptolemy Reid Rehabilitation Centre. To date in 2016, the Board has provided training to 131 disabled persons and is targeting 200 in 2017.

f. Culture and Arts

This Administration believes that the harmonisation of our country's diversity through the promotion of the wide spectrum of culture and art is critical. To this end, in 2017, we will take further steps to preserve our cultural heritage and modernise the access to our national cultural assets.

This year, the Government allocated over $60 million towards the modernisation of our museums and archives. The money was used, partly, to advance the process of digitisation of our cultural holdings and artefacts. Upon completion, visitors will be able to interact with digital interfaces to source information on ancestry, and access audio and visual materials to enhance learning. Professional training will continue in the area of archiving and museology to enhance the preservation and management of cultural heritage.

I am also pleased to announce that Government is currently pursuing the establishment of an Institute of the Creative Arts. The Institute is slated to be accredited, through the University of Guyana, to run diploma programmes, targeting over 100 young people annually. Support is anticipated from our bilateral and multilateral development partners to commence designs, in 2017.

g. Gender Equality – Equal Rights for All

This Government continues to promote gender equality. A Gender Affairs Bureau was created in June, this year, to replace the Women's and Men's Affairs Bureaus, in recognition of the need for a holistic approach to treat with gender issues. The Bureau is aiming to create, for the first time, a national directory of women's groups and associations for countrywide dissemination. Further, the Bureau will undertake training and sensitisation sessions with 100 community policing groups in order to improve responses to gender-based social issues. Relatedly, work has begun to develop a strategic plan for women's development. Consultations on the National Gender Policy began this year and have been expanded to include additional communities. Both the Policy and an action plan will be completed by September, 2017.

h. Hinterland Development and Preservation of Indigenous Culture

Bridging the divide to transform the development trajectory of the hinterland regions remains critical to the development of our nation as a whole. Our brothers and sisters in Paramakatoi and Mahdia must not be made to suffer the reduction of disposable income as they are forced to pay $500 for a standard loaf of bread, $100 per egg, $500 for a pound of chicken and, in some locations, $15,000 for a 20lb bottle of cooking gas. The cost of transporting these and hundreds of other items to the region to ensure goods and services reach the residents of Potaro-Siparuni adds to the high cost of living. Issues of food security must factor into any cost of living initiative aimed at reducing the gap between hinterland and coastland. Three of the initiatives to address this issue in 2017 will include (i) integrating livestock practices at hinterland school dormitories to establish micro-scale milk pasteurisation plants in each region; (ii) the introduction of Irish potatoes for production in Region 8; and (iii) expansion of the Black Giant Poultry project in the four hinterland regions.

Bringing the good life to all Guyanese must translate into reduced cost of living in hinterland communities, an expanded range of health services, improved quality of education, food security, cultural preservation, job creation, reliable and renewable energy, and adequate infrastructure for physical and virtual connectivity. To this end, the Government has allocated $13 billion for interventions that will improve the livelihoods of our hinterland communities.

Township development in Lethem, Bartica, Mabaruma and Mahdia has begun with the latter slated for official designation in 2017. This will result in expanded essential services, including issuance of licences, marriage certificates, pensions and business registrations within the regions. Consultations have also commenced on the development of a Plan of Action for Regional Development (PARD) for the Upper Takutu-Upper Essequibo Region with a focus on a conservation and green economy framework.

The Government will be investing over $300 million to construct, rehabilitate, extend, and maintain living quarters to accommodate the recruitment of more medical professionals, and trained teachers. With regard to the education sector, the hinterland communities will benefit from the expansion and rehabilitation of four practical instruction centres in Mabaruma, Bartica, Mahdia, and Lethem. Further, the Government will be investing $111 million in the Bina Hill Institute to construct dormitories, living quarters, and other facilities and about $90 million for the provision of school uniforms for approximately 34,000 students. We will expand the Hinterland Scholarship Programme, in 2017, to cater for 530 students.

In our attempt improve connectivity within the hinterland regions for improved access and standard of living, the Government has allocated over $2.5 billion for the construction, rehabilitation, and maintenance of hinterland roads and bridges in 2017. Further, provisions have been made for continued development of energy infrastructure which will include the expansion of the Mahdia power distribution network and provision for the establishment of a solar energy farm in Mabaruma.

Additionally, $150 million has been allocated, in 2017, for the establishment of four radio stations in selected hinterland communities which would stimulate communication and information sharing in native languages. Our Government intends to do its utmost to preserve the cultural richness of our Indigenous peoples, even as we pursue accelerated development of the hinterland.

Targets for 2017

A. Real Gross Domestic Product

The economy is expected to record a real growth rate of 3.8% in 2017, buoyed by continued strong performance in the mining and quarrying sector, along with some recovery in the sugar and forestry sub-sectors, and the construction sector. The non-sugar growth rate is targeted at 3.7%.

a. Agriculture

The agriculture, fishing, and forestry sector is projected to grow by 4.2% in 2017, an improvement compared to the contraction expected for 2016. Sugar production is expected to grow by 10.6 %, partly as a result of the assumption that *El Niño* weather conditions would not recur, as well as measures aimed at consolidation and improved field and factory conditions at some estates. No growth is anticipated in rice production; however, the forestry sub-sector is expected to grow by 5.8 %, due to the restructured allocation of concessions given up by Barama and re-start of operations by a major operator. Positive growth is expected from the livestock, fishing, and other crops sub-sectors, as the measures the Government has been instituting to intensify and diversify take root.

b. Industry

The mining and quarrying sector is projected to grow by 7.9%, buoyed by continued strong performances in the gold, bauxite, and quarrying industries. Output of gold is targeted at 694,000 ounces, while that for bauxite is budgeted at 1,726,008 metric tonnes. The Government will continue to focus on the promotion of other minerals in the mining and quarrying sector. Continued growth in the construction industry is expected to underpin growth in the quarrying sub-sector.

The manufacturing sector is expected to grow marginally, by 1.9%, with light manufacturing set to grow by 1.2%. The importance of "buying local" cannot be over-emphasized, as it is vital for the expansion of our local manufacturing industries.

c. Construction

The construction sector is expected to grow by 5%, an improvement over the 2016 performance. The sector is expected to benefit from rising infrastructure spending in 2017 and the accelerated rate of approval of public sector projects in the second half of 2016.

4.56 p.m.

d. Services

The services sector is expected to grow by 2.7%, with growth expected to be driven mainly by expansion in finance and insurance activities, and information and communication sub-sectors.

B. Monetary Policy and Inflation

The level of consumer price inflation is targeted to be 2.5% in 2017, reflecting steady economic growth and a Bank of Guyana policy of moderate growth in the money supply. This subdued inflation will help to support the real purchasing power of households.

C. Balance of Payments

The overall balance of payments in 2017 is expected to improve to a surplus of nearly US$20 million, from a deficit of US$29.2 million, in 2016. The deficit on the current account is projected to narrow substantially to US$45.3 million, from US$100.8 million in 2016, on the back of a much-improved merchandise trade balance.

Exports are projected to rise in 2017, as both production and prices of commodities are expected to rise, while gold receipts are projected to continue to strengthen. Gold, sugar, and rice, which account for nearly 70% of all exports, will see an increase in prices. While *El Niño* related drought conditions have weighed heavily on agricultural exports, we expect these weather-related concerns to dissipate in 2017. We forecast a small growth in merchandise imports of 2%.

The capital account is projected to decline to US$65.2 million, on account of higher amortisation of public sector debt and lower net private sector capital.

D. Targets for the Non-Financial Public Sector

a. Central Government

In 2017, Central Government revenue is expected to increase by 6.4% to $186 billion. Tax revenue is expected to increase by 8.9% to $162.6 billion, reflecting a considerable increase in collections of VAT, due to the measures to be implemented, in 2017. Higher revenues are also supported by an increase of 15.1% in excise tax collections, which are projected to reach $34.4 billion, in 2017. Non-tax revenue is expected to decrease by 8.2% to $23.4 billion. Transfers from statutory bodies are expected to increase from $8.5 billion to $10.1 billion.

Expenditures of the Central Government are expected to increase by 9.8% to $242.6 billion. Current expenditures are expected to increase by 7.2% to $185.8 billion. The growth reflects an increase of $5.8 billion, or 11.9%, in personal emoluments; $2.8 billion, or 5.7%, in Other Goods and Services; and $2.3 billion, or 3.3%, in transfer payments. Current expenditures are also expected to rise because of a projected 23% increase in interest payments. Capital expenditure is expected to increase by 19.2%, to $56.8 billion.

The Central Government is projected to record a deficit of $42.6 billion, or 5.6% of GDP, as the projected increase in expenditures outpaces the projected growth in revenue.

The size of Budget 2017 is $250 billion, which is larger than Budget 2016 by 8.7%.

b. Summary Operations of the Public Enterprises

The public enterprises are projected to record a deficit of $12.1 billion in 2017, reflecting lower receipts, increasing expenditure, and a re-classification of Government transfers to GuySuCo. Both GuySuCo and Guyana Power and Light Inc. (GPL) are projected to record deficits of $8.4 billion and $5 billion, respectively, which will be somewhat offset by a projected surplus of $3 billion for Guyana Oil Company Limited (Guyoil). Receipts are expected to fall by about 1.3% to $119.8 billion.

Expenditures are expected to grow by 16.4% to $131.9 billion, largely due to a 30.7% increase in spending on goods and services. The increase in this category is largely due to higher anticipated fuel expenditures for both Guyoil and GPL, based on the projected increase in the price of petroleum, in 2017.

Measures

Since taking office, this Administration has stressed the need for comprehensive tax reform. This was informed by our assessment of an economy that has not lived up to its potential, resulting in a fair amount of unemployment. It is characterised by a tax system that has high and multiple rates and inequality. As a consequence, smuggling, tax avoidance and tax evasion are rampant. The existence of legitimate businesses is threatened, while labour productivity suffers from a tax system that acts as a disincentive to greater effort. This has led to ever increasing demands for tax concessions, thereby distorting resource allocation while weakening the tax base.

Without a doubt, taxation influences the choices we make at the individual and company level. Such decisions, ultimately, have an effect on the rate of growth in the economy, the basis of increased prosperity and the pathway to the good life. With the benefit of the work of the Tax Reform Committee, which was established in August, 2015, and, more recently, CARTAC's report on the Value Added Tax, we are about to embark on a new generation of tax reform, starting from Budget 2017. A few of the measures were indicated earlier in my presentation, but will be re-stated here for clarity and completeness.

A. Measures in Support of Our Green Agenda and Protecting the Environment.

Following upon the measures proposed in the 2016 budget, I propose the following additional measures in furtherance of "greening" the economy and protecting the environment:

(i) Tax exemptions on the importation of items for wind and solar energy investments. In addition, a one-off tax holiday of 2 years of corporation tax for companies involved exclusively in such importation;

(ii) Tax exemptions for investment in, and construction of, water treatment and water recycling facilities. In addition, a one-off tax holiday of 2 years for corporation tax for companies involved exclusively in such importation;

(iii) Tax exemptions for investment in, and construction of waste disposal facilities with particular reference to recycling facilities for plastic items. In addition, a one-off tax holiday of 2 years for corporation tax for companies involved exclusively in such importation;

(iv) Exemptions of customs duties and taxes on machinery and equipment to setup charging stations for electric vehicles;

(v) Exemptions of customs duties and taxes on greenhouses and component parts for use in the agricultural sector;

(vi) Lowering of excise tax on hybrid and electrical vehicles;

(vii) Zero-Rate of excise tax on the following:

a. Specially-designed Refuse (Garbage) Trucks;

b. Bio-fuel (bio-gas or bio-diesel);

(viii) Restriction on used tyres – The importation of used tyres for motor cars, vans, pickups, SUV's, and mini-buses, will be restricted from entering Guyana, with effect from April 1, 2017. Vehicles described above, which are imported into Guyana after April 1, 2017, will be required to be fitted with new tyres (including the spare). A "phase out" period for existing stocks of used tyres will be allowed. Used tyres that have been ordered and shipped will be allowed a period of three months to have these orders completed;

(xi) Reduction of duty on new tyres – The Customs duty on new tyres will be reduced from 30% to 15%; and

(x) Imposition of an environmental levy of $10 per unit on the importers and local manufacturers of products using non-returnable metal, plastic or glass container of any alcoholic or non-alcoholic beverage. The new environmental levy with penalties will be implemented by amending the Customs Act, Chapter 82:01 to include a section to impose this levy, and will apply, across the board, on both imports and locally manufactured products, thus ensuring that Guyana complies with the provisions of Article 90 of the Revised Treaty of Chaguaramas.

B. Measures to Reduce Inequality and Increase Disposable Income

I propose the following changes that are aimed at reducing inequality and tax avoidance, and increase disposable income:

(i) Increase in tax threshold - An increase in the current threshold of $660,000 per annum to the greater of $720,000 per annum or one-third (1/3) of the employee's salary whichever is greater. An additional 7,600 persons will be taken off the tax register as a result of this.

(ii) The reduction in the Personal Income Tax rate from 30% to 28% for individuals earning less than $2,160,000 per annum or $180,000 per month. At the same time, I propose to introduce an element of progressiveness in the tax system. As a result, I propose a new rate of 40% to be applied to the incomes of individuals earning in excess of $2,160,000 per annum. It can be easily demonstrated that the individual is better off under this new regime.

To give an example, individuals earning $1,000,000 currently under this existing regime will pay a tax of $102,000. Under the new regime proposed an individual earning $1,000,000 will pay taxes of $78,400. [**Mr. Jagdeo:** Tell us how much for the entire year.] Per year?

These measures will allow for an annual increase in take home pay to persons earning under $720,000 per year of $18,000, and for persons earning $2,160,000 a year to benefit from an additional annual take home pay of $46,800. Further, in the case of the higher paid employees, by allowing for one-third of their income to be tax free, the incidence of tax will not exceed 25%, thereby allowing for a higher "take home" pay. This would reduce the need for tax free benefits, in kind, now being paid to employees in the private sector in *lieu* of salaries, and claimed by self-employed persons in lieu of income. The loss from the implementation of these tax measures is $3.9 billion, which can used to boost personal savings and consumerism;

(iii) Repeal of Section 33E (4) of the Income Tax Act as it relates to the sale of gold or diamond not being taken into account in ascertaining the chargeable income of the persons who owned gold or diamonds. This repeal seeks to bring these operators within the purview of all the Tax Acts;

(iv) Increase in the Tributors Tax from 10% to 20% - The tax on tributors has remained unchanged, since its inception in 1998. This increase, which is in line with the withholding tax, is the first to removing distortions and multiplicity of tax rates;

(v) The imposition of a 2% withholding tax on the gross payments made to all contractors. The 2% shall be deducted from every payment made to contractors by contractees and shall be remitted to the Guyana Revenue Authority. The amounts deducted would be allowed as a credit against the final taxes payable by the contractors; and

(vi) Restriction of Mortgage Interest Relief to loans up to $15 million. This measure will ensure that only low to middle income earners benefit, as was intended.

All of these measures will take effect from 1st January, 2017.

C. Measures to Spur Economic Growth

For many years, the manufacturing sector has clamoured for a reduction in the corporate tax rate, in order to improve their competitiveness locally and overseas. Further, companies that conduct both commercial and non-commercial operations engage in income shifting in order to meet the 75% criteria, thereby allowing them to be taxed at the lower corporate tax rate applicable to manufacturing concerns. In relation to the 2% minimum tax on commercial operations, certain companies are at a disadvantage whereby their effective tax rate exceeds the commercial tax rate of 40%. I, therefore, propose the following:

(i) A reduction in the Corporation Tax rate, from 30% to 27.5%, for manufacturing and non-commercial companies;

5.11 p.m.

(ii) The introduction of a dual tax-rate for Companies carrying out both commercial and non-commercial activities. This means that the non-commercial part of the business will benefit from the lower corporate tax rate of 27.5% but will pay the commercial tax rate of 40 per cent for their commercial operations. Companies must, therefore, engage in segment accounting and keep separate books of accounts to benefit;

(iii) These two measures will result in a loss of $752 million in taxes. However, we anticipate this amount being invested in renewal and expansion of businesses; and

(iv) The Minimum Tax Rate shall be 2% of the turnover of a commercial company, or 40% of taxable income, whichever is lower. This will alleviate the higher incidence of tax on those entities which continually have a higher incidence of tax greater than the present commercial rate of 40 per cent.

a. Tender Compliances for Government Contracts

Currently, bidders for contracts are required to have valid Income Tax and NIS compliance certificates. This has especially hampered small contractors from participating in the procurement process. While these requirements will remain, we propose to make it easier for potential bidders to access these documents as follows:

b. Automatic Issuance of Temporary Income Tax and NIS Compliance Certificates

Prospective bidders will be given a one-off, three month, temporary certificate, regardless of their status with GRA and NIS. During the three months, they are expected to make the necessary arrangements to become compliant. Each certificate will cost $1,000.

c. Standard Income Tax and NIS Compliance Certificates

These will be valid for one year and will be issued to individuals and companies that are in good standing with these agencies. Each certificate will cost $2,500.

d. Trusted Trader Compliance Certificates

These will be valid for three years and will be issued to companies that have a demonstrated track record of compliance. Each certificate will cost $10,000.

These measures will take effect from January 1, 2017.

D. Value-Added Tax (VAT)

In keeping with our promise made in our Manifesto, and based on recommendations of the Tax Reform Committee and the CARTAC study, I propose the following changes to the VAT regime:

(i) Reduction in the rate of VAT - I propose to reduce the Value Added Tax rate from 16% to 14%;

(ii) Increase in the VAT threshold - I propose to increase the VAT threshold from $10 million to $15 million. It was found that a significant number of persons were unable to maintain proper records to meet the minimum threshold requirement for VAT registration. As such, this measure will allow the GRA to concentrate on the cohort that makes the bulk of VAT payments, since there will be a smaller tax base and, consequently, less VAT registrants to administer;

(iii) VAT on electricity consumption - I propose to introduce a VAT of 14% on electricity consumption in excess of $10,000 per month. For the avoidance of doubt, the $10,000 limit is not an allowance. While VAT will not be applied to consumption up to $10,000, it will be applied to the full amount once consumption exceeds $10,000;

(iv) VAT on water consumption - I propose to introduce a VAT of 14% on water consumption in excess of $1,500 per month. For the avoidance of doubt, the $1,500 limit is not an allowance. While VAT will not be applied to consumption of up to $1,500, it will be applied to the full amount once consumption exceeds $1,500; and

(v) Exempt and Zero-rated items. I propose to expand the list of exempt items and eliminate all zero-rated items, with the exception of those pertaining to exports and manufacturing inputs. A full list of exempt and zero-rated items is included as an appendix to the budget speech.

E. Measures to Improve Tax Administration

The following amendments are proposed to assist the Guyana Revenue Authority to overcome the many challenges it faces in enforcing and administering the laws:

(i) Excise Stamp System - In an effort to minimise the smuggling of high dutiable excise products, GRA will implement, 2017, an “Excise Stamp Programme”, based on an Agreement with the Canadian Bank Note (CBN). An excise stamp is a type of revenue stamp affixed to excisable goods to indicate that the required excise (and other) taxes have been paid on the product. This will see the stamping of alcohol and tobacco products with “high-security” stamps, which can be read by barcode scanners. The system is highly secure and will be supplemented by a track and trace system, anti-counterfeit measures, barcode scanners, and technical support. The Excise Law will be amended suitably to facilitate the implementation of this measure;

(ii) Increase in the three years’ Statute of Limitations – It is proposed to increase the Statute of Limitation from 3 years to 5 years. This will give the Revenue Authority time to cover a longer period to examine taxpayers’ records, consistent with similar provisions in the Income Tax Act. This will enhance enforcement and compliance efforts;

(iii) Persons leaving Guyana with tax liabilities - It is proposed to revise the provision of Section 45 of the VAT Act by deleting the proviso which allows for a court order to be obtained to enforce this provision. This will be consistent with a similar provision which exists under section 71 of the Income Tax Act, Chapter 81:01;

(iv) Extension of time for payment of tax - Section 42 of the VAT Act empowers the Commissioner to extend the time for payment of tax by the person beyond the date on which it is due and payable under this section, or make such other arrangements as appropriate to ensure the payment of the tax due. This provision allows a taxpayer to object to a decision by the Commissioner regarding an arrangement to settle outstanding VAT due. Given that VAT is funds held in trust, no such right should be given to taxpayers regarding payment. Therefore, this provision will be repealed;

(v) Non-Resident Vat refunds – Non-residents are required to pay VAT and apply for a refund when they are leaving the country. This places a heavy administrative burden on GRA. In any case, not many persons benefit. As such, this provision will also be repealed;

(vi) Budget Agencies to pay VAT - Paragraph 2 (x) will be removed from the Schedule I of the VAT Act which says, “Goods when imported and works and consultancy services purchased by a budget agency named in the Schedule to the Fiscal Management and Accountability Act 2003.” This will result in Budget Agencies paying VAT on all goods and services, except those financed from the proceeds of a donor agency;

(vii) Removal of locally produced items in the VAT Act - A review of the VAT Act confirmed that in 2007, a few zero-rated items had the words "locally produced". Schedule 1, paragraph 2 of the VAT Act will be amended accordingly;

(viii) Late filing of Income Tax, Corporation Tax and Property Tax Returns – The current late filing penalty regime does not provide for penalties to be imposed on late returns which disclose a loss. Taxpayers can submit a loss or deficit return late without fear of any penalties, since penalties are applied to taxes assessed. I propose to increase late filing penalties to 10% (similar to VAT). A flat fee of $50,000 will be applied to each loss/deficit return submitted after the prescribed time;

(xi) Late payment of tax - The penalty for late payment of tax provided for under section 99(1) of the Income Tax Act Chapter 81:01 will be repealed and a simplified interest regime enacted. Section 6(1)(c) of the Financial Administration and Audit Act will be amended to facilitate the imposition of interest on late payment of tax at the rate of 2% per annum (similar to VAT);

(x) Interest Rate – The relevant section would be amended to provide for a simple interest rate of 18% per annum, instead of the current Bank of Guyana market published rates;

(xi) Failure to keep proper books and records - The penalties for failing to keep proper books and records are lenient. As a result, many taxpayers, particularly the self-employed taxpayers, fail to keep proper books and records. The penalty will be increased to $200,000 or 5% of the tax assessed, whichever is greater;

(xii) Failure to present books, records and other information in a timely manner. Audits are greatly affected by the lack of evidence to justify disclosures in financial statements. It is proposed to increase the fine to $200,000 and/or six months imprisonment;

(xiii) Distress Proceedings for non-payment of tax – In an effort to streamline the various Tax Acts under the administration of the GRA, legislation currently in place in the VAT Act, as regards distress proceedings, will be inserted in the Income Tax Act to facilitate like action in cases of non-compliance and non-payment of Income Tax. This legislation will help to strengthen GRA's collections and improve compliance by taxpayers;

(xiv) Garnishment - The provisions of section 102 of the Income Tax Act Chapter 81:01 will be revised to provide authority to the GRA to garnish funds from bank accounts held by taxpayers who have outstanding tax arrears. This provision would assist to improve compliance with demands issued by the GRA for outstanding payments;

(xv) Increase penalties for offences - The penalty imposed for offenses committed against the Income Tax Act under the provisions of Sections 109 to 111 would be increased from $15,000 to $100,000 to force voluntary compliance;

(xvi) Non-resident companies failing to keep accounting records in Guyana – Non-resident companies, which fail to keep relevant books and records in Guyana, thereby causing unnecessary delays during audit, will be subject to a fine of $1,000,000;

(xvii) Failure to inform the GRA about the commencement of business (Registration) - Many persons commence business but do not inform the GRA about this activity. Many businesses are non-compliant with the law regarding filing of returns, especially at the early stages. The law will be amended to give persons a maximum of three months from the commencement date of business to inform the GRA; and

(xviii) Cost for TIN - There is currently no fees for the issuance of Taxpayers’ Identification Number (TIN) certificates, even though GRA incurs an administrative cost. It is proposed to impose a fee of $1,000 for the first TIN certificate and $5,000 for reprinting of TIN certificates.

F. Measures to Enhance Revenue

The following changes are proposed:

(i) Travel Tax - The Departure Tax payable by persons leaving Guyana has remained unchanged for years. As a result, it is amongst the lowest in the world. I, therefore, propose to increase the travel tax from $2,500 to $3,500. I wish to announce, too, that measures will be implemented to enable airlines to collect and remit the tax to the Revenue Authority, thereby making for one less departure line at our airports, and reducing the cost and administrative burden on the GRA, while ensuring consistency with international practices in the travel industry;

(ii) Premium Tax on Re-insurance Premiums for Local Aircraft Operators – Based on representations made by the Aircraft Association, this Government has acceded to their request to waive premium taxes charged on insurance premiums payable by aircraft owners and accumulated for the past eight years exceeding. The loss is $80 million, but we believe it will stimulate growth and improve flights to interior locations. It is proposed that the tax will be now payable from 1st January, 2017;

(iii) Capital Gains Tax - In moving the property tax valuation to 1/1/2011 as per the Property Tax Act in 2014, the Capital Gains Tax Act was inadvertently left unchanged, thereby allowing for taxation not in keeping with the taxation principles on the calculation of Capital Gains. I believe that this inadvertence has created an unfair burden on persons selling properties that were re-valued. Consequently, I propose a change in the relevant sections of the Capital Gains Tax Act to bring them in line with the Property Tax valuations;

(iv) Fee for Passport - It is proposed to increase the fee for a passport from $4,000 to $6,000. However, persons 65 years and above will be exempt from the payment of the passport fee. This measure takes effect from 1st January, 2017;

(v) Abolishment of Certificate of Compliance to process Transfer of Motor Vehicle Registration - It is proposed to dispense with the requirement for Motor Vehicle Compliance, since this will reduce the duplication of documents submitted to GRA and the processing time for the completion of transfer of registration. At the same time, it is proposed to increase fees for transfer of motor vehicle registration for motor cycle and other vehicles, ranging from $5,000 for motor cycles to $25,000 or 2% of sale price, whichever is higher;

5.26 p.m.

(vi) Fees for permits & other documents - I propose to impose a fee of $2,000 for a Driving Permit issued to drivers residing abroad but visiting the country temporarily, and $2,000 for persons requiring a Letter of Authenticity for verification of Drivers' Licences;

(vii) Miscellaneous fees – Many customs fees are over 20 years old and cannot cover the administrative and other costs attached to performing the service. I propose to amend section 275 of the Customs Act, Chapter 82:01 to bring these fees in line with current reality. A list of the services provided and the proposed fee increase is at appendix of the budget speech.

[**Mr. Nandlall:** We want to see it.] You will see it when I bring the legislation.

(viii) Intoxicating Liquor Licensing Act & Tax Act, Chapter 82:21 - I propose an increase in fees for Application and Renewal of Intoxicating Liquor Licences. These fees were in existence since 1992;

(ix) Increase in penalties - I propose to amend the legislation to increase the penalties relating to licences for spirituous liquor. The relevant sections to be amended and the new penalties to be applied are detailed in the appendix to the budget speech.

G. Measures in Support of the Elderly

In addition to benefits granted to the elderly in the previous two budgets, and the removal of the passport fee in this budget, I am pleased to announce an increase in Old Age Pension to $19,000. Since coming to office a mere 18 months ago, the Government has increased this assistance to our elderly citizens by 45 per cent Over 53,000 persons are expected to benefit. At the same time, Public Assistance will increase to $7,500. Both increases are to take effect from January 1, 2017.

H. Measures to Improve Workers' Disposable Income

In addition to the substantial increase paid to public servants over the last 18 months, the Government has used other means to increase workers disposable income, including raising the income tax threshold by at least 20 per cent, removing the income tax on the workers contribution to NIS and paying a one-off bonus. The Government will continue to engage the unions in negotiations to find common ground to issues pertaining to wage and salary adjustment, de-bunching and allowances, taking into consideration the state of the economy and our desire to maintain macroeconomic stability.

Conclusion

This budget has boldly set out the plans for the future while simultaneously trying to tackle present day issues and concerns of the population. It acknowledges what this administration inherited and what we have attempted to do over the last 18 months to first stabilise the economy, and then lay the ground work for diversification using a green pathway. The constraints have been many, not least among them being the drain of public resources by a collapsing sugar company. This has created new urgencies in our quest to reorient the economy - creating a robust and resilient one that transcends the traditional growth poles. It is a budget that proposes transformative actions to deal with complex issues.

In Budget 2017, the Government proposes programmes that seek to expand the physical infrastructure to improve connectivity between the hinterland and the coastland, advance our people into a digital society, and harness the skills and talents of our youth, men and women for the future. This budget gives a high priority to spending on a reformed education system that is able to deliver a successful child and that is responsive to the aspirations of our young people and to the future needs of the economy; improving the health system; improving water quality and delivery; and providing better housing. It reignites economic growth, while tackling poverty. It is a budget that creates a wider economic space and sets the stage for Guyana to present itself to the world as the place to do business. This budget does all these things while, at the same time, maintaining strict fiscal discipline, and eliminating wastage and inefficiencies in the use of taxpayers' money.

It is our resolve to move economic growth to a progressively higher plane, so that our people can enjoy new levels of prosperity. In this drive to the 'good life', we ask every Guyanese to dedicate their best efforts to becoming more productive, more financially responsible, results-driven, and conscious of the environment, contributing individually and collectively to its preservation through our green agenda. We must dare to believe that true prosperity can happen in our lifetime; we do not need to wallow in a sea of poverty when an ocean of possibilities exist. In this, I am inspired by the words of George Bernard Shaw, who said:

> "The possibilities are numerous once we decide to act and not react."

Let us act now to bring our country out of potential into prosperity. Let each of us resolve to join together, to show kindness and collective resolve, to take our country into this new era of development, truly as one people.

Thank you Mr. Speaker. [*Applause*]

Mr. Speaker: I thank the Hon. Minister for his statement.

The motion is proposed.

Hon. Members, I wish to bring to your attention the fact that the Minister's speech was translated by sign language during the process of his presentation. It is an innovation of the Ministry of Finance. The Minister and his team should be congratulated for it. I understand it is the first occasion on which this has occurred in this Chamber.

Hon. Members, before we conclude our business today, I invite Hon. Members to join with me in marking the death of Mr. Fidel Castro, former President of Cuba and an abiding friend of Guyana. Let us extend condolences to the Government of Cuba and its people on his passing. I ask Hon. Member to rise and observe a moment of silence in memory of Mr. Fidel Castro.

A minute silence for the observance of the death of Mr. Fidel Castro.

Hon. Members, at our arising today you would go to Members of Parliament's lounge, as is the usual custom, to retrieve your documents for the budget.

ADJOURNMENT

Mr. Speaker: Hon. Members, this concludes our business for today. Hon. First Vice- President and Prime Minister please move the adjournment.

Mr. Nagamootoo: Mr. Speaker, I move that this House be adjourned until 5th December at 10.00 a.m.

Mr. Speaker: This House stands adjourned until 5th December at 10.00 a.m.

The Speaker would request Hon. Members to await his departure from this House before Hon. Members exit the House.

Adjourned accordingly at 5.36 p.m.