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INTRODUCTION

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1.1 Mr. Speaker, I rise to move the motion for the approval of the Estimates of the Public Sector and the Budget for the financial year 1998. In so doing, I wish to indicate that in concurrence with Article 171, paragraph 2 of the Constitution, the Cabinet has recommended that the National Assembly proceed upon this motion.

1.2 Mr. Speaker, I wish to thank the many, including the Trades Union Congress (TUC), the Private Sector Commission (PSC), the Berbice and Georgetown Chambers of Commerce, the Tourism Association of Guyana (TAG), the Forest Producers Association (FPA), the Gold and Diamond Miners Association, and those individuals who took time off from their day-to-day activities to share their ideas on the development of the various sectors of our economy. These meetings also provided me with the opportunity to inform representatives of the various bodies about the developments in, and constraints facing, the economy. Once again, our budget has benefited from this consultative process.

1.3 Mr. Speaker, this is the first budget of a new mandate. Although the mandate is new, our mission is not. Our goals, today, remain the same as when Guyanese placed their trust in us in 1992. These are to build a country of opportunities, in which every Guyanese has equal access to the avenues of success; and to nurture a caring and compassionate society.

1.4 Our people understood the serious problems facing us at that time, and the sacrifices required of them. They wanted a plan that put people at the centre of the development philosophy. We established that plan in 1992. We have pursued it for more than five years and, today, we are seeing the results. This budget marks a further stage in that plan. It demonstrates that our resolve has not weakened, even in the face of difficult external and domestic conditions.

1.5 Mr. Speaker, when I presented the budget to the National Assembly last year, I did so under circumstances that were broadly optimistic for our country and the economy. However, the year 1997

turned out to be one that we will always remember. The most difficult moment was the death of our beloved President, Dr. Cheddi Jagan. We all miss his wisdom and tireless pursuit of a better Guyana for all our people.

1.6 Mr. Speaker, other developments that affected our economy, in 1997, include the El Nino weather phenomenon, which has led to great difficulties in our agricultural and mining sectors; adverse price shocks to our major export commodities; and the political disturbances that followed the General Elections held on December 15th. The fact that we have been able to withstand these pressures is a credit to the resilience of our people and the economy.

1.7 Economic performance was mixed, last year. On the positive side, the economy continued to expand, growing at an annual rate of 6.1 percent. Inflation was further reduced. Central Government expenditure was contained within the programme level. Additional debt relief, amounting to US\$253 million in net present value terms, was secured from the multilateral and bilateral creditors. We were able to advance the privatisation programme.

1.8 However, the expansion in the economy came from sectors with low revenue elasticities. As a result, the tax buoyancy that was expected from a growing economy did not materialise. In addition, deteriorating terms of trade, occasioned by a significant decline in commodity prices and a depreciation of the European Currency Unit (ECU) against the United States dollar, led to a contraction of foreign exchange earnings in rice, gold and sugar. This was a key factor in the small depreciation of the exchange rate last year.

1.9 Mr. Speaker, the development policy framework which the Government and the Guyanese people have worked so hard to establish, is threatened. In the past, this framework helped to attract private investment, maintain real income levels, and help to return confidence to our people. This confidence led to a change in the national psyche. We all felt proud as Guyanese, once again, because we were no longer considered a pariah in the region. We regained the respect of CARICOM and the international community for our boldness and initiative in reversing long years of economic decadence. A return to normalcy on the political front is essential for the continuation of this trend. This is why, we

of the PPP/Civic, continue to appeal to all political parties to work within the ambit of the law and other established mechanisms to settle whatever differences that may exist. Let us put the well being of our people before partisan interests.

1.10 Mr. Speaker, I would like to make a strong appeal to the young people of our country. We have our future still unfolding before us. We will have to work together to secure that future for our selves and our children. As a diverse people, we have a splendid opportunity to show the world how working together and building bridges can generate progress for all.

1.11 As I said in my budget presentation last year, if it is our desire to leave our children a better and more secured Guyana where the private sector is rewarded for risk-taking, where labour is adequately compensated, where the rule of laws prevails, where there is compassion for the less fortunate, and where the marginalised groups are brought into the mainstream of society then we must close ranks and work together to achieve our common goals.

REVIEW OF THE INTERNATIONAL ECONOMY

2

2.1 Mr. Speaker, at the time of presentation of last year's budget, the outlook for the international economy was good. The global economy expanded by 4.5 percent. Economic recovery in Canada strengthened and recovery across Continental and Western Europe was more broad-based. There was also robust growth in developing countries, particularly in China. Prices for the most part of the year also remained fairly stable. In the advanced countries, inflation averaged 2.2 percent while many developing countries experienced low or declining inflation.

2.2 These impressive developments, however, conceal serious problems in both the advanced and least developed countries. In South East Asia, excessive investment in construction, large portfolio investment, and imprudent credit practices by the financial system, contributed to the near collapse of stock markets and the sharp depreciation in exchange rates. The systemic problems in the banking sector and prolonged recession in Japan, that region's economic giant, has exacerbated the problem. In the process, the number of bankruptcies has rose sharply in South East Asia and led to mounting unemployment.

2.3 The effects of widespread fires and destruction of forest, arising out of the El Nino weather phenomenon in Malaysia, Indonesia and Thailand have, in some measure, affected prospects of early recovery in these countries. Indeed, this weather phenomenon has also created havoc in the Western Hemisphere with devastating floods in Peru, Colombia and the Eastern and Western Seaboards of the United States. In Brazil, Guyana and Suriname, prolonged drought has caused widespread forest fires. The attendant social and economic consequences are still being assessed.

2.4 The prognosis for 1998 is mixed. The economies of the advanced countries are expected to continue with their modest expansion, even as attention remains focussed on the structural and social problems. There are reasons to believe that the current expansion will be sustained into the next decade. First, there are relatively few signs of the tensions and imbalances that have usually presaged significant downturns in the business cycle. Second, there are still considerable margins of excess capacity in Japan and continental Europe.

2.5 For the developing world, growth in 1998 will decline from 6 percent to about 4.5 percent mainly on account of South East Asia where economic expansion will decline further this year. Eastern European countries and those of the former Soviet Union are expected to further consolidate their recovery further, and grow at rates approaching those of other developing countries by the year 2000.

2.6 Mr. Speaker, developments in the global economy especially in East Asia will have an impact on the rest of the developing world. Cheaper exports from Asia resulting from the major currency devaluation will displace exports from other countries. Developing countries especially those with strong ties to Asia will lose export earnings because of lower prices in that region. Because of the herd effect, former recipients of large private capital flows will now face lower inflows with much higher risk premium. This reduction of capital inflows may reduce growth in 1998 and beyond.

2.7 These developments will affect Guyana. Major investments in the forestry sector come from East Asia. In addition, this region is also the key destination of our forestry products. You may recall that last year, the Government signed three memoranda of understanding with companies from this region and also received an expression of interest in the oil palm industry from a South East Asian company. It is possible that continued adverse market shocks may affect planned investment in our forestry and agricultural sectors. In addition, lower export prices of rice from South East Asia may affect the competitiveness of our rice sector.

REVIEW OF THE DOMESTIC ECONOMY

3.

A. Overview

3.1 Mr. Speaker, our economy continued to grow at a robust pace in 1997. Real domestic output grew by 6.1 percent. This growth was achieved in spite of the adverse impact of two exogenous shocks to the domestic economy, namely, the El Nino weather phenomenon and the decline in the prices of our major export commodities. The contribution of various sectors to this growth is examined.

B. The Real Sector

3.2 Mr. Speaker, output in the agricultural sector slowed in 1997. The sector grew by 3.1 percent compared with 7.6 percent in 1996, on account of slower growth in rice production and a decline in sugar output. Cane sugar output, at 275,100 metric tonnes, was 4.3 percent below target and represented a decline of 1.8 percent over 1996. The decline in 1997 was as a result of pest infestation and flooding in the latter part of 1996 which affected the first crop last year.

3.3 The rice sub-sector experienced modest growth of 1.9 percent in 1997. This was below the target of 11 percent. While the sector benefited from better yields arising from improved drainage and irrigation facilities, introduction of new pest resistant seed varieties and better farming practices, these were insufficient to compensate for the El Nino effect.

3.4 Output of the forestry sub-sector experienced strong growth. Production at 564,671 cubic metre, was 20 percent above the corresponding period last year. Round logs and sawn timber accounted for about 97 percent of the total output. Considering the vast opportunities for value added and employment generation in this sector, increased concentration in logs is worrisome. This will have to be reverse quickly to allow Guyanese to enjoy the tremendous potential for value-added activities in this sub-sector. We will have to ensure that local manufacturers can readily access raw materials for their operations.

3.5 The fisheries sub-sector also experienced strong growth, as the volume of landed fish increased by 8 percent in 1997 compared with 2.3 percent in 1996.

3.6 Increased production of non-traditional agricultural products, including ground provision, vegetables and fruits, chicken and egg production, also added to the modest growth in the sector.

3.7 Mr. Speaker, buoyed by higher-than-expected growth in the mining sector, **industrial output** increased in 1997. Gold output increased from 372,000 ounces in 1996 to 429,639 ounces in 1997, largely on account of higher production at Omai. Declared gold output from independent operators to the Gold Board decreased by 16.3 percent, possibly as a the result of worsening world prices, under-reporting, and lower production due to drought.

3.8 The volume of bauxite production was 2,467,304 metric tonnes, about the same level as last year. Output of the higher value calcined grade ore was 178,152 metric tons, approximately 13.7 percent above 1996, while the volume of dried grade was about 1.3 percent lower than in 1996.

3.9 The performance of the manufacturing sector strengthened during 1997, registering a growth rate of 4.5 percent compared with 2.9 percent in 1996. Strong growth in the production of processed rice, paints, garment, stoves and aerated drinks more than compensated for lower production of processed wood.

3.10 Mr. Speaker, a rapid expansion of the public sector investment programme and increased activities in the housing sector, accounted for a 13 percent expansion in the construction sector.

3.11 The services sector grew by 5.2 percent last year. The key areas of growth included transport and communications, rent and dwellings, and government. Distributive and financial services were less robust than in 1996.

C. The Balance of Payments

3.12 Mr. Speaker, in 1997, the balance of payments weakened. Adverse weather conditions and deterioration in the terms of trade contributed to the worsening of the external current account. The terms of trade deteriorated by 3 percent compared to an improvement in 1996 of 2.5 percent. However, lower-than-projected imports helped to lower the current account deficit by US\$15 million. Exports grew by 3.2 percent to US\$594 million on account of sharp increases in gold, while imports grew by 7.8 percent to US\$642 million.

3.13 The net services account worsened somewhat, on account of higher interest payments. This was due to the regularisation of debt service to some creditors and higher private sector interest payments. Private transfers declined by US\$3.5 million last year.

3.14 The capital account improved significantly by US\$66.2 million. Disbursements amounted to US\$67 million while principal repayments totalled US\$29 million, resulting in a net flow of US\$38 million. Net private capital amounted to US\$64 million, an increase of US\$11 million over 1996. As a consequence, the overall balance of payments improved by US\$5.4 million in 1997.

D. Monetary Policy

3.15 Mr. Speaker, the goal of monetary policy continues to be price stability, a competitive exchange rate and a viable balance of payments. Consistent with these goals, the Government pursued cautious monetary policies in 1997. The growth of monetary aggregates and credit to the private sector slowed considerably. The public sector position with the banking system deteriorated somewhat, given the outturn of the public sector accounts. The international reserve position of the banking system also deteriorated reflecting the worsening of the external accounts.

1. Inflation

3.16 Mr. Speaker, we continue to win the fight against inflation. Last year, end of period inflation slowed to 4.1 percent. The slower growth in prices was on account of moderate price changes in partner countries, and lower domestic food prices.

2. Money Supply and Credit

3.17 Total monetary liabilities of the banking system increased by 11.7 percent in 1997 to \$64.3 billion. Narrow money grew by 8.5 percent, on account of lower growth in demand deposits. Time and savings deposits increased by 13 percent in 1997, reflecting a shift from demand to time deposits. Private sector credit increased by 23.6 percent in 1997 compared with a growth rate of 30.8 percent in 1996. Credit to the manufacturing sector increased by 52 percent.

3.18 Major increases in credit to the distribution and household sectors were also recorded. The adverse weather conditions were largely responsible for the decline in credit to the agricultural sector, which fell by 8.6 percent. Similarly, the slump in gold prices, in part, explains the lower credit that was extended to the mining sector. Net deposits of the public sector amounted to \$17.1 billion compared with \$19.2 billion in 1996, reflecting the outturn of the public finances.

3. Interest Rates

3.19 Mr. Speaker, there was a softening in interest rates. While the 91-day treasury bill rate declined from 11.03 percent at end-1996 to 8.8 percent at end-1997, lending rates of the commercial banks remained high. The weighted average lending rate was about 18 percent, further widening the intermediation spread. This remains a source of concern for the Government and the private sector.

E. Institutional Reforms

3.20 Mr. Speaker, significant steps were taken last year in relation to monetary management and development of the financial system. The monetary management capabilities of the Bank of Guyana were strengthened with the introduction of the reserve money programme and refinements in the liquidity-forecasting framework for treasury bills. The compilation of the balance of payments was also centralised at the Bank of Guyana and a high-level inter-agency committee on balance of payments was constituted under the chairmanship of the Governor.

3.21 The treasury-bill auction has become more competitive and the market more mature. To strengthen the operating practices and improve the credibility of the foreign exchange market, a code of conduct was agreed to by the commercial banks and a new reporting system introduced for bank and

non-bank cambios. Advances were also made in strengthening the supervisory system for banks. The revised loan classification norms became effective during the year. Inspection of non-bank licensed financial institutions was instituted and a mechanism put in place for off-site surveillance of licensed financial institutions.

F. Foreign Exchange Operations

3.22 For the year under review, sales in the foreign exchange market amounted to US\$475.2 million, about 3.1 percent lower than in 1996. Purchases amounted to US\$471.3 million compared with US\$483.9 million in 1996. With the non-bank cambios increasing their share of total foreign exchange transactions, prudential supervision by the Bank of Guyana has been, and will be further, strengthened to ensure that foreign exchange operations stay within internationally recognised norms and regulations. In line with Government's policy, the exchange rate continued to be market-determined. The relative stability of the exchange rate was maintained last year, as the monthly mid-rate of the cambios depreciated from \$140.9 at end 1996, to \$142.7 at end 1997.

G. Non Financial Public Sector

1. Central Government Finances

3.23 Mr. Speaker, the overall position of the Central Government deteriorated in 1997, reflecting a shortfall in revenue collection, higher than programmed debt servicing, and faster implementation of the public sector investment programme. Current revenues amounted to \$34 billion, about \$4.3 billion below the target for 1997. Collections from Inland Revenue Department amounted to \$14.4 billion, about \$2.6 billion below the target. Company and self-employed taxes accounted for most of the shortfall. Revenue collection by the Customs Department amounted to \$15.1 billion, about \$1.8 billion below the target.

3.24 Mr. Speaker, in 1997, total expenditure (net of principle repayment) of the Central Government amounted to \$45.6 billion. Of this, non-interest recurrent expenditure accounted for \$18.7 billion. Employment costs totalled about \$8.9 billion, of which \$338 million represented the one-off lump sum pay increase extended in the latter part of the year. Expenditures on other charges increased by 14 percent to \$9.8 billion. As a result of these developments, the surplus of the non-interest primary balance

declined by \$4.6 billion. Interest expenditure totalled \$10.3 billion, of which \$6.4 billion were external payments. This was about \$2.9 billion higher than in 1996. As a result, the current account surplus declined by \$6.2 billion, to \$4.9 billion.

3.25 The capital outlays of the Government were in line with the target for 1997. A total of \$16.6 billion was spent on the capital programme, mainly in re-tooling and expansion of the social and economic infrastructure of the country. Capital revenues of \$2 billion fell short of the target by \$1 billion. This shortfall reflects lower privatisation receipts. As a result, the overall deficit of the Central Government increased to \$6.6 billion dollars. This deficit was partly financed through net inflows from abroad.

2. Public Enterprise Finances

3.26 Mr. Speaker, public enterprise finances worsened last year. The consolidated cash balances of the public enterprises amounted to \$5.3 billion compared with a target of \$6.7 billion. Higher employment costs at GUYSUCO and LINMINE, higher expenditure on materials and supplies of Guysuco, and higher maintenance costs at Guyana Airways Corporation account for this outturn. Capital expenditure of the public enterprises exceeded the targets set earlier in the year. In spite of the lower-than-programmed performance, the public enterprises continued to contribute significantly to the financing of the Central Government. Corporation taxes increased by 44 percent to \$1.1 billion. Dividends and other transfers amounted to \$1.8 billion.

H. Public Sector Investment Programme

3.27 Mr. Speaker, the implementation of the capital programme continued apace. The public sector investment programme (PSIP) recorded an implementation ratio of 99 percent. The performance of the Central Government, however, fell below budget by 6 percent. This was due to the shortage of aggregates and other road building materials during the year. The public enterprises, on the other hand, exceeded their target by 5 percent, mainly due to additional investment in the power generation sector and GUYSUCO.

3.28 As in previous years, a good balance was maintained between projects in the economic and social sectors. Of actual expenditure, about 45 percent was devoted to the economic sectors, including road rehabilitation, drainage and irrigation, and sea defences, while, 27 percent went into improvement of social services such as education, health and poverty reduction programmes. The remainder was devoted to general investment, including capitalised maintenance. These ratios are consistent with the general composition of the PSIP over the last several years.

3.29 Rehabilitation of the major highways and reconstruction of several urban, community and farm to market roads were undertaken. In the Georgetown area, construction works were substantially completed in areas such as Kitty, Campbellville, Prashad Nagar, Bel Air, and Albouystown while upgrading of roads in the Alberttown and Queenstown areas were completed as programmed. Also, during the year, in excess of 150 miles of community roads and 20 miles of feeder roads were completed throughout the country. Reconstruction works on the Essequibo Coast Road, the East Coast Highway, the Railway Embankment and the Soesdyke-Linden Highway progressed satisfactorily.

3.30 The pace of the rehabilitation of educational and health facilities also quickened. Thirty-eight new primary and nursery schools were constructed and in excess of 75 others were either reconstructed or rehabilitated. These include Charity, 8th of May, Regma, Hampton Court, Stewartville, North Georgetown, North Ruimveldt, Wellington Park, Latchmansingh and Kitty primary schools. In the health sector, numerous facilities were either rehabilitated or constructed. New facilities include the Blood Transfusion Centre, the Georgetown Dental School, and the Beterverwagting Health Centre. Among facilities that were rehabilitated or refurbished were the Suddie, Charity, Mabaruma, Kamarang, Mahaicony and Upper Demerara hospitals, and the mortuary and the maternity wing of the Georgetown Hospital.

3.31 In the agricultural sector, in excess of 274 miles of drainage and irrigation canals, covering the Corentyne, East Coast Demerara, West Coast Demerara and the Essequibo Coast, were completed. In addition, the Torani Canal was completed.

3.32 Mr. Speaker, notwithstanding the early setbacks we encountered with the quarry supplies, reconstruction of our sea defence was diligently pursued. To this end, 2500 metres of critical sea defence were undertaken at La Belle Alliance, Sparta, Aberdeen, Aurora, Wakenaam, Leguan, Zeeburg, Enmore, Better Hope, Wellington Park, Scottsburg and Edinburg, to name a few.

3.33 Mr. Speaker, the provision of potable water supply to all Guyana remains a priority. This is evidenced by our performance in that sector during 1997.

- Ten new wells were drilled in the Rupununi Savannah;
- Three wells were drilled at Mahaica, Leonora, and No.70 village
- Over 150 miles of pipe lines were laid throughout the country;
- Thirty one rural water systems were completed;
- Four new wells were constructed and two wells were rehabilitated in Georgetown while works continued on the Sophia-Ruimvedlt link; and
- two potable water and storage tanks in Georgetown are under construction.

3.34 Today, Mr. Speaker, we lift our heads with pride at the completion of the first phase of the extension of the Cheddi Jagan International Airport, Timehri. We look forward to the completion of the second phase which has already commenced.

I. Private Sector Investment

3.35 Mr. Speaker, gross domestic investment increased in 1997. Total private sector investment is estimated to have reached US\$140 million in 1997. This represents an increase of US\$26 million over 1996. Foreign direct investment accounted for about US\$70 million of investment in 1997. The forestry sector led the way with the initiation of construction of a wood-processing factory at Kwakwani. Investment in milling and farming equipment and fisheries amounted to US\$14 million.

3.36 The manufacturing sector reached US\$10 million; with investments in garments and textiles accounting for a major share. Capital formation in the construction totalled US\$45 million. Investment in mining and services amounted to US\$25 million and US\$15 million, respectively.

J. Privatisation Programme

3.37 The privatisation program also accelerated last year. The Government completed the sale of its shares in the National Bank of Industry and Commerce for \$2.8 billion and divested its stake in Guyana Stockfeeds for US\$900,000. NEOCOL assets at Farm were sold for US\$800,000 and the sale of the San Juan palm oil estate was also completed. The Government also completed and formally signed a lease purchase agreement in January 1998 for the Linden Power Company. About US\$8 million is expected to be invested in power generation facilities in Linden shortly. In addition, 65 percent of the shares of Guyana Co-operative Insurance Service (GCIS) were sold for \$215 million although payment is pending as a result of ongoing court action.

3.38 Mr. Speaker, the privatisation program last year also focussed on the rehabilitation and resuscitation of a number of entities that had been previously closed. These included the leasing of the Guyana Glasswork Complex, the sale of the Belu and Coverden Claybrick factories, and the leasing of the abandoned MARDS workshop in Maichony and the Mainstay Complex to a local Guyanese Consortium. In December, a leasing agreement for the Printing and Dyeing Section of Sanata Textiles was completed and a Letter of Intent for a Bicycle Factory was signed.

3.39 The sale of properties also constituted another major component of the privatisation programme last year. One GCIS property was sold and agreements for the sale of seven Guyana Stores Limited properties and one GNIC property were executed with transport for all of these properties expected to be passed in early 1998. Tenders for numerous other properties belonging to GSL, BIDCO, GCMFB, GNIC, and GCIS were also completed with execution of these transactions expected in 1998.

K. Debt Reduction Initiatives

3.40 Mr. Speaker, in 1997, the Government made further progress in reducing the country's external debt stock. You might recall that at the beginning of the PPP/Civic government's first term, Guyana's stock of debt stood at US\$2.1 billion. Prudent debt management and our tireless advocacy of debt relief led, in May 1996, to our Paris Club creditors and Trinidad and Tobago granting Guyana, a 67 percent

debt reduction in net present value terms. Assuming that our non-Paris Club creditors, grant Guyana terms no less favourable than those granted by the Paris Club, Guyana's debt stock at the beginning of 1997 was estimated at US\$1.4 billion.

3.41 In 1997, Guyana has now concluded all the bilateral debt agreements with United States, Trinidad and Tobago, France, Netherlands, the United Kingdom, Denmark, and Canada. These agreements were essential to completing the implementation of the Paris Club stock of debt reduction that we secured in 1996. We have also regularised our relationship with the Organisation of Petroleum Exporting Countries (OPEC) Fund. The agreement that was reached would allow Guyana to clear its remaining arrears to OPEC Fund and pave the way for that financial institution to resume its lending operations in Guyana.

3.42 Mr. Speaker, our advocacy for debt relief continued in 1997. Guyana became the fourth country to benefit under the Highly Indebted Poor Countries (HIPC) Initiative and the first to qualify under the fiscal/openness criteria for countries with highly open economies. Under these criteria, countries like Guyana, with a minimum export-to-GDP ratio of 40 percent and a revenue-to-GDP of 20 percent would qualify for assistance under the Initiative. In such cases, the target net-present-value (NPV) of debt-to-export ratio could be set at less than 200 percent, so that the NPV of debt-to-revenues at the completion point would be 280 percent. Guyana's target for the NPV of its external debt was set at 107 percent of exports, compared with 143 percent of exports before assistance.

3.43 The total assistance to be provided to Guyana will reduce the country's debt burden by US\$253 million in net present value terms, or by another 25 percent. This is estimated to translate into debt service relief of US\$500 million or US\$25 million per year over 20 years. In recognition of Guyana's exceptional achievement in implementing economic and structural reforms, the IMF and the World Bank have also agreed to shorten the normal period of the completion point for the delivery of the debt reduction package by 2 years, to December 1998.

AGENDA FOR THE SECOND TERM

4

4.1 Mr. Speaker, we have begun our second term on the threshold of a new millennium. As exciting as the prospects are, it is already evident that the formulation and implementation of development policy in Guyana will face a rapidly changing economic and political environment. The world is moving inexorably towards globalisation. Giving effect to this is trade liberalisation, the dismantling of preferential arrangements, and the removal of controls on capital flows.

4.2 In our hemisphere, working groups have been set up to design and establish the modalities of the Free Trade of Area of the Americas (FTAA). The FTAA has the potential to provide tremendous opportunities for investment and the expansion of trade. Undoubtedly, some countries will benefit from these opportunities. At the same time, however, smaller countries like ours will be placed at a disadvantage because of low levels of socio-economic and technical development, shortages of skills, and rudimentary capital markets.

4.3 In addition, the co-operation pact between the European Union and the African-Caribbean-Pacific (ACP) Group of countries --the Lome Convention --is under threat of being altered. The preferential trading arrangements established under the Lome Convention have provided markets for our rice, sugar, and rum exports. If altered, it will expose these products to the vagaries of the international markets. This will cause severe dislocation, especially given their enormous contribution to jobs and foreign exchange earnings.

4.4 Domestically, there are very important social considerations that are of concern to the Government. These include providing improved water services, expanding the housing stock, and improving the quality and access to education and health. Achieving these objectives has been made more difficult by the recent political developments. In our second term, we propose to respond to the challenges posed by the domestic and international environment in two ways, -- through an economic and social agenda. On the economic front, we will focus on improving the economy's competitiveness--keeping it growing and making it less vulnerable through diversification.

Our social agenda will seek to improve the quality of life through better delivery of education, health care, potable water, and housing services.

A. Towards Competitiveness, Growth and Diversification of the Economy

4.5 Mr. Speaker, the future of this country, in part, depends on a vibrant and aggressive private sector. Our private sector must respond swiftly to the rapidly changing international environment.

4.6 Mr. Speaker, in the second term, the Government will create the conditions that will support private sector development. In order to stimulate investment, increase competitiveness, and diversify the economy, the Government will maintain a sound macroeconomic framework, streamline the incentive system, expand economic infrastructure, make more land available for productive activities, and improve the legal and regulatory framework of the business environment.

1. Sustainable Macroeconomic Policy Framework

4.7 Mr. Speaker, a sound macroeconomic framework is key for a thriving economy. Low inflation maintains the real value of assets; competitive exchange rates and the repatriation of capital provide confidence to local and foreign investors; and a lower fiscal deficit will free up more resources for investment. The PPP/Civic Government's record of macroeconomic management is solid. In our first term, real growth averaged 6.5 percent, inflation was lowered to single digits, interest rates declined substantially, and gross international reserves reached five months of import cover.

4.8 In our second term, we will continue to build on this progress. Our policies will be geared towards sustaining the high growth rates that were achieved in recent years. As part of this effort, we will adopt policies that would encourage the diversification of our production base. In the fiscal area, the Government realises that public savings will need to increase further in the near term. This is critical for expanding and maintaining basic infrastructure, bridging the gap between private and public sector wages, and improving social services.

Therefore, we will broaden the tax base by incorporating those who are presently evading taxes. In addition, we will reduce waste and re-orient expenditure towards improving the economic and social infrastructure, and reducing poverty.

4.10 Monetary policy will be aimed at a further reducing inflation and safeguarding the Bank of Guyana's external reserve position, while, at the same time supporting private sector activity. To achieve these objectives, increasing reliance will be placed on the use of indirect monetary policy instruments. A key aspect of the monetary programme will be the reduction of the domestic indebtedness of the Central Government, which originated, in part, from large scale monetary sterilisation operations that were conducted in recent years. The exchange rate will continue to be market determined.

2. Incentives

4.11 Mr. Speaker, our trust in the private sector as a driving force of economic growth and employment creation is borne out by the generous incentives we have extended to this sector over the past five years. We will continue in this direction and provide even greater incentives and encouragement to new industries which we anticipate will grow out of the strong agro-base that we developed over the last five years. Agro-industrial development and other value-added activities are key to economic growth and industrialisation. The furniture, fish-processing, jewellery, and canning industries add value to domestic raw materials and are potentially the industries in which we can be competitive internationally. This year we will introduce tax holidays for pioneering activities.

4.12 Mr. Speaker, permit me to review some of the incentives that we have provided to the private sector over the past few years.

4.13 In the **mining sector**, large scale companies are today entitled to exemptions of duties and consumption tax on all equipment, process materials and spares used in the course of surveys, prospecting and mining. Fuel attracts a 10 per cent consumption tax.

4.14 The medium and small scale companies also benefit from duty and consumption tax exemptions on a range of items including complete dredges, steam or sand blasting machines, excavators, graders

and levellers, crushing or grinding machines and jack hammer drills. Some items, which are used generally, have conditional exemptions and require a letter of support from the Guyana Gold and Diamond Miners Association to qualify for the concession.

4.15 In the **forestry sector**, selected list of items, identified by the sector, has been accorded duty and tax exemptions. This includes lathes, outboard engines, tugs, chain and gang saws, cranes, forklifts, bulldozers, planers, trimmers, lathes and dryers for wood.

4.16 The **manufacturing sector** also enjoys wide-ranging concessions. This includes duty and consumption tax concession for most capital imports. In addition, manufacturers benefit from accelerated allowances for capital expenditure under the In-Aid-Of-Industry Act. Under this scheme, company which incurs capital expenditure is entitled to claim an accelerated allowance called an Initial Allowance. These rates depend on the nature of the expenditure incurred. For Plant and Machinery, there is an initial allowance of 40 per cent and an annual allowance of 20 per cent. For industrial buildings and structures, the initial allowance is 10 per cent and the annual allowance 5 per cent. This sector also benefits from the tax-free export allowance of up to 75 per cent of income earned from non-traditional exports. The registered manufacturing companies can import free of taxes all their raw materials.

4.17 There is also a very generous export allowance. This allowance applies to products sold to non-CARICOM countries. It is granted as a percentage of export profits and varies from 25 per cent to a maximum of 75 per cent. The maximum was raised from 50 per cent to 75 per cent in the 1997 budget.

4.18 Like the manufacturing sector, a large number of items for the **agriculture sector and agro-processing** are granted duty and tax exemptions. These include dryers for agricultural products, packing or wrapping machinery, machines for cleaning, sorting of grading eggs, fruits or other agricultural produce, cattle feed, pig feed and other prepared complete animal feed, tractors, bulldozers, crane lorries, combine harvesters and a range of other heavy equipment. Packaging materials for fruits and vegetables do not attract any duty or consumption tax.

The sector also benefits from the maximum tax-free export allowance of 75 per cent. There are also allowances for expenditure incurred in developing and improving land for cultivation purposes.

4.19 A special incentive regime for the **tourism sector** has been in place for the past two years. Hotels and Guest Houses with 15 rooms and over, resorts in interior locations, tour operators and other approved tourist facilities qualify for concessions on a selected list of furnishings, equipment and building materials.

4.20 In the **Fisheries Sector**, the items which are free of duty and consumption taxes include skinning and bone separating machines, de-icing hoppers, coolers, cutting tables, freezing and blast freezing units, trawlers, freezer trucks and Styrofoam plants.

4.21 Further, in recognition of the challenges facing the fish and shrimp industry last year, and in an effort to maintain and expand production, the export tax on fish and shrimp was waived in January 1997 as one of the budget measures.

4.22 In the **housing sector** lumber, clay-bricks and concrete blocks no longer attract consumption tax. And, there are now tax concessions on loans up to 1.5 million dollars for the purpose of constructing new homes, where the maximum value for the cost of construction does not exceed 2 million dollars.

4.23 The **aviation industry** also benefits from special consumption tax rates. AV gas and AV jet was reduced in the 1997 budget from 50 per cent and 30 per cent respectively to 10 per cent.

4.24 In addition to concessions for the various sectors, Government has also taken steps to encourage investment in disadvantaged areas. Since 1996, there has also been a **Special Incentive Regime for Linden and Surrounding Communities**. New manufacturing and agricultural entities locating in Linden, Ituni and Kwakwani are eligible to receive consumption tax and duty free concessions on all plant, machinery and equipment, spare parts and tax concessions for vehicles used exclusively for business operations.

3. Expanding Economic Infrastructure

4.25 Mr. Speaker, in the last five years, we have provided generous fiscal incentives to the private sector, in almost every industry. However, it will take more than fiscal incentives to make the private sector competitive. It will also require, for example, opening the rest of the economy, developing new markets, and reducing transportation costs. In improving competitiveness and diversification, we will open new lands for economic development, develop industrial estates to support processing activities, improve international transport links, and upgrade utilities and communication networks.

a. New Lands for Economic Development

4.26 Mr. Speaker, there is no shortage of land for development in Guyana. From Crabwood Creek to the Rupununi Savannahs, thousands of acres of land are available. In our second term, we would seek to tap this abundant natural resource to bring benefits to our people. In pursuit of this objective, the Government will work closely with the private sector to promote the development of the second and third phases of the MMA/ADA project; the Secondary Town Roads, Canje Reservoir Scheme, and the development of the intermediate savannahs.

The MMA/ADA Project

4.27 This project involves the rehabilitation of drainage and irrigation systems between the Abary and the Mahaica Rivers, and the development of the Mahaicony Conservancy. We expect more than 270,000 acres of arable land to be brought under cultivation. Construction of this comprehensive water control system, which entails a network of main and secondary drains, canals, and access roads, will significantly increase the production of rice, coconut and other crops, in addition to cattle rearing.

The Canje Reservoir Scheme

4.28 This scheme, which is situated between the Berbice and the Corentyne Rivers consists of the damming of the Canje River in order to provide gravitational irrigation for approximately 350,000 acres, and improved flood control for another 150,000 acres of farmland.

Secondary Town Roads

4.29 Mr. Speaker, Guyana's economy requires effective linkages among its widely dispersed settlements. The Government is seeking international financial support for the Parika-Makouria (36 miles), Patentia-Kamuni (15 miles) and Redlock-Capoey (12 miles) roads. All of them have already been designed. These roads will provide greater opportunities for agro-industrial development by opening up more lands for cultivation. In addition, they will also have a beneficial impact on mining and tourism.

Intermediate Savannahs

4.30 Given the potential for agro-processing and livestock development, the Government will seek to develop the intermediate savannahs. To facilitate this, we will extend to these areas the incentives' regime that was granted to Linden and Surrounding Communities, two years ago. We will also grant tax holidays to companies investing in these areas.

b. Industrial Estates

4.31 Mr. Speaker, a review and mapping of processing facilities shows that, in most cases, a mismatch exists between inputs and processing facilities. For example, in Region 2, where there is an abundance of coconuts, cassava, plantains, coffee beans, and others crops, only two old and dilapidated manufacturing plants exist. This is common in many of the regions of our country. It is for this reason that, during this term, the Government will focus on the development of industrial estates in other parts of the country. Industrial estates have already proven their usefulness in this country. Those that have been established at Coldingen and Ruimveldt have already provided jobs, contributed to the Treasury through the payment of taxes, and laid the basis for industrialisation.

c. **Development of Territorial Integration and International Transport Links**

4.32 Mr. Speaker, given the importance of exports to our economy, the development of transportation links with the outside world is vital. With this in mind, the PPP/Civic Government, in its second term, will initiate the development of a deep-water harbour. Aside from the long-term benefits of lowered costs, this will have an immediate positive impact on the bulk exporting of rice, sugar, and bauxite, thereby improving competitiveness. Preliminary studies for a site are underway.

4.33 Currently, the Government is studying the feasibility of developing the Cheddi Jagan International Airport, Timehri, into a hub for extra-regional travel. To complement this, the Government, in collaboration with the private sector, will develop the Ogle Airstrip into a fully-fledged municipal airport for domestic and intra-regional traffic. This will provide several benefits to our country including increased opportunities for business and tourist travel, increased aircraft traffic in and out of Guyana, increased access to and lower costs of air freight, which is vital for the development of non-traditional agricultural exports.

4.34 Mr. Speaker, we will work to complete the road to Brazil. This will enhance trade opportunities between Guyana and South America and it will provide an entrée for CARICOM exports to Brazil. With the completion of the Moco Moco Hydro-Electric Power project, this road will also open the hinterland to industrial development. Mr. Speaker, we will also bridge the Berbice River. This will open the Berbice Region to extensive development and provide a link for expanding bilateral trade between Guyana and Suriname.

3. **Improving the Legal and Regulatory Framework of the Business Environment**

4.35 Mr. Speaker, apart from fiscal incentives and excellent infrastructural facilities, an efficient and transparent legal and regulatory framework is an essential condition for investment, growth and diversification. Issues such as property rights, trading of securities, a sound banking system, and a modern insurance industry are essential components of that framework. Improving the framework is an on-going process to which we are committed. In the near term, we need to tackle three areas:

introduction of modern insurance industry legislation, securities legislation, and improvement to the Deeds Registry. This is expected to have an immediate positive impact on private sector activities, especially those associated with banking and housing

3. Increased Availability of Land

4.36 Mr. Speaker, land is vital for economic growth. At the moment, there are several agencies that are involved in land administration. In some cases, poor co-ordination among them has resulted in duplication of authority and functions, and non-transference of relevant data between institutions. A national land use policy is currently being developed. Once completed, it will identify more state lands more state lands for productive activities. We will also accelerate the granting of state lands through the streamlining of the relevant procedures.

B. The Social Agenda

4.37 Mr. Speaker, a just and equitable society is an important condition for economic development. The anchor of our social policy agenda will be the creation of society where there are opportunities for the ownership of homes, where there is good education and health services, and where potable water is available to all.

1. Housing

4.38 Mr. Speaker, few things in life are more gratifying life than owning a home. For this reason, the Government is committed to the distribution of 30,000 house lots, in the second term. But making house lots available to our people is not enough. That is why we are already engaged in discussions with international financial agencies for assistance to develop sites and services for home construction. We are committed to upgrading existing schemes and developing new ones. We will provide basic services and amenities such as potable water, roads, drainage and sanitation, and electricity supply. Among the areas to benefit are Tuschen, Crane, Belle View, Mahaica, Foulis, Enmore, Versailles, Best, Good Hope, Diamond, Golden Grove, Hope, Bath, Zorg-en-Hoop, Paradise, Adelphi, Williamsburg and Amelia's Ward.

4.39 The Government will also promulgate a Mortgage Financing Act, which is intended to give to

housing companies incorporating under that Act, concessions similar to those enjoyed by the New Building Society. This will drastically reduce the cost of mortgages to new homeowners and attract more investment in the housing sector. Hopefully, this would result in increased home ownership by low and middle-income groups, while maintaining the financial viability of the mortgage financing institutions over the medium to long-term.

4.40 The Government will also focus on the institutional strengthening of the Housing Ministry to improve its technical and managerial capacity, to accelerate land-titling activities, and simplify the procedures for housing construction.

2. Education

4.41 In our second term, we will focus on the expansion of physical facilities, institutional reform, and improving the quality and delivery of education. Our goal will be to raise the level of literacy, numeracy, and technical skills. In pursuit of these policy objectives, the Government will:

- spend over US\$40 million in the sector, which includes the construction of nursery, primary, secondary and technical/vocational schools;
- expend substantial sums on the maintenance of school facilities, provide potable water, improve sanitary conditions, and increase the supply of furniture and reading materials;
- provide additional resources for teacher training;
- encourage parents and community participation in the management of schools;
- establish additional technical vocational facilities and programmes;
- expand distant and adult education; and
- establish curriculum reform boards.

3. Water

4.42 Mr. Speaker, in recognition of the importance of a reliable supply of potable water for our people, we have prepared a programme, valued in excess of \$20 billion, to supply safe, pure and reliable water to all our communities. During this term, we will completely rehabilitate existing minor systems, drill additional wells, install pumps and expand the distribution network to new areas.

We will also launch the construction of six major integrated systems. We will continue to rehabilitate and refurbish the existing systems in all municipalities and expand services to new areas.

4.43 Mr. Speaker, the rehabilitation and construction programme has several components:

a. Hinterland Water Programme

4.44 The programme for the supply of potable water to the hinterland communities involves the drilling of over 50 wells. This will continue. We will install 20 windmills and over 200 hand pumps. New pumping stations will be installed at Port Kaituma, Mabaruma, Mahdia and Lethem.

b. Rural Water System

4.45 In rural areas, a total of 120 minor water systems involving the replacement of pumps and engines and refurbishment of the electro-mechanical systems will be completed. We will also initiate the construction of six integrated water systems at Pouderoyen, Eccles, La Bonne Intention, Rose Hall, Corriverton and Anna Regina. These improvements will bring immediate benefits to over 200,000 residents.

c. Municipal Systems

4.46 In Georgetown, the Government will continue to refurbish the sewerage and water system. Some of the major activities during this term will include the:

- rehabilitation of sewerage pumping stations;
- construction of additional ground storage tanks at Central Ruimveldt Well; and
- drilling of three new wells in the Sophia and Turkeyen areas.

Once completed, they will facilitate a shift away from the use of surface water to ground water, and less dependence on the East Demerara Water Conservancy for potable water.

4.47 Mr. Speaker, at the same time, phase 2 of the New Amsterdam water project will be completed. This will entail the installation of the tertiary distribution system. During this term, the Government will also refurbish and expand the Linden Water Works.

4. Health

4.48 In the health sector, in this term, we will be focusing on the overall improvement in the delivery of health services, particularly improving access to, and quality of, primary health care. It has been universally established that investment in primary health care gives the highest return. Emphasis will, therefore, be placed on disease-control programmes, health education and awareness campaigns, and measures to improve nutritional standards. Special attention will be given to improving primary health services in the hinterland and targeting the health needs of children, adolescents, and pregnant and lactating women.

4.49 Identification, procurement, storage and distribution of drugs will feature prominently in our programme. Institutional reform in the health sector is also high on our agenda. Already, we have commissioned a comprehensive review of the sector aimed at strengthening the institutional capacity of the health delivery system, for which a US\$2.5 million grant from the Inter-American Development Bank (IDB) has already been secured. Also, during this second term, the Georgetown Hospital will be converted into a semi-autonomous agency. This in no way signals a weakening of the Government's commitment to fund that institution. Rather, the corporatisation of the hospital will increase its flexibility to achieve its objective of improving the quality of health services to its users.

The Policy Framework for 1998

5

5.1 Mr. Speaker, 1998 will be a difficult year for Guyana. On the external front, our major export commodities will continue to suffer from adverse price shocks in international markets. As mentioned earlier, market disturbances in the Far East will continue to affect the export of forestry products and investment.

5.2 The domestic front also presents serious challenges. The continuation of the present weather conditions (El Nino) will reduce the output of three key commodities-- rice, sugar and gold -- with adverse consequences for incomes and employment. In recognition of this, the Government will establish the El Nino Relief Fund with an initial sum of US\$5 million. This will help to alleviate the impact of El Nino on hinterland communities, in particular, Amerindians, miners and farmers. We will provide food, water, medicine and seed paddy to these groups. We will also continue with Operation Melon in the urban centres.

5.3 Mr. Speaker, our country cannot stand still. Consistent with our goals of creating opportunities and a secured future for our people, and with the broader agenda, which I have already elaborated, we will focus on job creation, housing development, improving the business environment, civil service reform, privatisation, expansion of the infrastructural base, and human resources development.

A. Youth Employment Programme

5.4 Youth unemployment is a source of concern to our Government. An important part of the solution to this problem lies in skills training. We recognise that the challenge of finding a job is toughest for those who have either dropped out of school or do not have tertiary education. For these young people, the need to have skills is great and on-the-job training is often the best way to develop them. To address this problem, the PPP/Civic Government will launch the Youth Employment Programme (YEP) this year. YEP will develop a training and placement programme in association with potential employers. As part of this, we anticipate to train over 1000 young people.

5.5 In addition, the PSIP will provide many opportunities for youth employment. In this regard, the Government will give preference to youth organisations and groups to undertake public works. Over \$500 million will be spent on programmes that will benefit many young people directly.

B. Development of the Housing Sector

5.6 Mr. Speaker, in 1998 the technical and managerial capacity of the Ministry of Housing will be strengthened with financial support from the IDB. The highlights of the Ministry's work programme are:

- the distribution of 3,000 house lots;
- accelerating land titling activities; and
- the regularisation of squatter settlements.

5.7 In spite of expenditure of over \$6.7 billion in the sector, in 1997, the Government recognises the need for lower interest rates on mortgages. Towards this end, the Government proposes to:

- amend the New Building society Act to allow it to accept other forms of collateral, other than land title; and
- enact mortgage finance legislation that would extend generous concessions to lending institutions that are similar to those granted by the New Building Society.

5.8 Mr. Speaker, the reform of the Deeds Registry this year will also have a positive effect on the housing sector.

C. Improving Revenue Collection

5.9 Mr. Speaker, the Government will make a concerted effort to broaden the tax base and block the leakage of revenue. Under-invoicing and under-reporting of income continue to be a source of concern. In this regard, the Government will explore the possibility of engaging inspection agencies to carry out pre-shipment inspections.

5.10 The introduction of the Revenue Authority was delayed in 1997 because of problems in recruiting technical consultants. It will be launched in May 1998. The Inland Revenue and Customs Departments will be provided with additional budgetary resources to strengthen their revenue collection capability.

5.11 The Government will also undertake a comprehensive review of all tax legislation, with a view of strengthening the penalties for tax evasion.

D. Exchange Rate Policy

5.12 Mr. Speaker, the current exchange rate system has served Guyana well. The exchange rate will continue to be market-determined and exchange rate management will be guided by three considerations. The first will be the need to reduce temporary excess volatility. The second consideration will be the maintenance of an adequate level of foreign exchange reserves to service external debt, smooth out temporary fluctuations, and provide confidence to the private sector, and the third will be the development of a liquid and efficient foreign currency market. In pursuit of these goals, the Bank of Guyana and the Government will pursue monetary and fiscal policies in a prudent and consistent manner so that economic fundamentals are maintained.

5.13 Mr. Speaker, the Bank of Guyana, in consultation with multilateral institutions, stands ready to defend the value of the Guyana dollar against speculative runs unrelated to market conditions. In addition, the private sector has called on the Government to encourage exporters to repatriate export proceeds. We support the private sector's call since full repatriation will ease supply conditions in the market, while allowing exporters to service their local obligations in a prompt manner.

E. Financial Sector Reforms

5.14 Mr. Speaker, considerable progress has been made in the financial sector in the last few years. The legal and regulatory framework was strengthened and Government's ownership of entities in the financial sector was substantially reduced. These reforms have contributed to increased competitiveness of the financial sector and the expansion of the branch networks of commercial banks. Noteworthy, in this regard, is the opening of three banks in Parika.

5.15 In 1998, we will continue to build upon our past achievements. We will establish the National ClearingHouse to rationalise and speed up the cheque payments system. We will initiate steps to activate the inter-bank money market and promote secondary trading in treasury bills. We will revise the 1996 circulars on reserve requirements and liquid assets ratios. We will recapitalise the Bank of Guyana and reorganise its operations. These additional reforms will lay the foundation for increased competition in the financial sector and help in reducing the current large spread between deposit and lending interest rates.

F. Civil Service Reform

5.16 Mr. Speaker, civil service reform must be seen in the context of public sector reform which has many components. They include privatisation, contracting out, creation of semi-autonomous agencies, and civil service reform itself. The reform of the civil service has two important elements, namely, vertical reforms in individual public sector entities that focus on strengthening organisation and management, and horizontal reforms that cut across institutional boundaries and improve the environment in which public sector entities function.

5.17 Mr. Speaker, this year the Government will revise civil service rules, so as to foster the conditions for a merit-based, salary adjustment system, and a professional civil service that is results-oriented and accountable for its performance. Already, a tripartite committee comprising Government, the Private Sector, and labour, has been established.

5.18 Also, in 1998, the Government will undertake a survey of private sector remuneration to establish benchmarks that will be used to improve remuneration of comparable positions in the civil service. This is consistent with the Government's stated position that over the medium to long-term, it proposes to bring remuneration in the civil service close to that of the private sector.

G. The Privatisation Programme

5.19 Mr. Speaker, during 1998, a number of entities will be brought to the point of sale, with possible privatisation being concluded in the same year. These include LINMINE, BERMINE, Guyana National Printers Ltd., Guyana Pharmaceutical Corporation, Guyana Stores Ltd., the Versailles Dairy Complex,

GNCB Trust, and the Wauna Oil Palm estate. These have been brought to the point of sale before but were not sold either because of the absence of competitive bids or legal problems.

5.20 The most significant privatisation that should be completed in 1998 is the GEC. Last year, after months of negotiations, SaskPower withdrew its interest as an equity investor in the Guyana Electricity Corporation (GEC). Although electricity supply today is much better than a few years ago, the Government remains committed to the privatisation of the GEC. This is expected to be completed by mid-year.

H. Debt Reduction Initiatives

5.21 Mr. Speaker, we will continue our pursuit of further debt relief in 1998. Our efforts will be concentrated on clearing arrears under the External Payment Deposit Scheme (EPDS), which was established in June 1978. The Scheme required all requests of foreign exchange to be accompanied by Guyana dollar deposits of equivalent amounts in the commercial banks. These amounts, which were deposited to cover foreign payment liabilities, were, in turn, deposited with the Central Bank. The total arrears under this Scheme are estimated at US\$67 million. We have secured a grant from the IDA Debt Reduction Facility to undertake a debt buyback operation to eliminate these arrears.

I. Expanding the Infrastructural Base

5.22 Mr. Speaker, the expansion and improvement of our physical infrastructure is necessary to ensure that the growth path that this country has embarked upon is sustained. During our first five-years, the Government spent an enormous amount of money to rehabilitate our basic infrastructure. That process continues today.

5.23 Mr. Speaker, I would to highlight some of the main projects to be implemented under the public sector investment programme this year.

5.24 Our main roads rehabilitation programme will continue with on-going works on the Essequibo Coast Road, East Coast Highway, the Railway Embankment and the Soesdyke-Linden Highway. We have programmed for rehabilitation and construction, over 75 miles of rural roads in areas such as

Annandale Sideline, Kersaint Park, Ann's Grove, Cotton Tree, Moruca, Golden Fleece, Nabacilis, Plaisance, Bush Lot, No. 51 Village, Kamarang to Waramadong, Toka to Karassabai, Mahaicony and De Hoop branch roads. In addition, some 20 miles of farm to market roads are targeted for construction in Regions 2, 3 and 5.

5.25 A substantial amount of resources has been budgeted to continue the on-going rehabilitation of roads in Georgetown.

5.26 In 1998, our focus on the provision of potable water will continue. Government has earmarked about \$1.8 billion to commence the integrated systems at Pouderoyen, Eccles, and Rose Hall, and to complete the remaining minor systems. Our target also includes the drilling of another 20 shallow wells in the hinterland and erecting several windmills and hand pumps. Meanwhile, in the Georgetown system, a new trunk main along Princess Street, Cemetery Road and Mandela Avenue will be completed and additional storage tanks and pumping stations will be constructed.

5.27 In the education sector, approximately 100 nursery, primary and secondary schools will be either constructed or rehabilitated. In addition, 16 new primary schools will be designed for construction under the Primary Education Improvement Programme (PEIP), and 12 existing secondary schools will be redesigned for reconstruction or rehabilitation under the Secondary School Reform Programme (SSRP). Emphasis will also be placed on improving the quality of education, including curricula reform, teacher training, improved text and measurement capacity, school based management and computerisation.

5.28 The rehabilitation of our drainage and irrigation system will be intensified in 1998. Some areas that will be targeted for improvement are Cane Grove, Essex, Nos. 65, 66, 67, and 73 Villages, Charity, Three Friends, Bellamy, Pearl, Georgia, Golden Grove, Victoria, Vigilance, Supply, and Perth/Biaboo. In addition, \$750 million worth of equipment will be procured for the improvement of flood control and water management in the Mahaica, Mahaicony and Abary areas.

5.29 Mr. Speaker, in 1998, Government will complete the Dental School and the Blood Transfusion Centre. In addition, we will rehabilitate and construct a number of other health facilities. These include the Nurses' Hostel at Matthew's Ridge, the tuberculosis ward at the West Demerara Hospital, health posts and centres at Dredge Creek, Dora, Yarrowkabra, Sandhills, One Mile and Amelia's Ward, medical theatre and labour room at Port Mourant Cottage Hospital, and the tuberculosis clinic at the Public Hospital Georgetown.

5.30 Mr. Speaker, our sea defences remain a top priority. In 1998, the main emphasis will be on reconstructing the sea defences at Lusignan, Reliance/Cotton Field, Sparta/Windsor Castle, Belle Plaine/Zeelandia and Elizabeth Ann/Cornelia.

5.31 Mr. Speaker, some \$210 million has been earmarked for the completion of the Eccles Industrial Estate, the upgrading of the New Amsterdam Estate, and the construction of the Lethem Industrial estate.

5.32 We will initiate pre-feasibility and feasibility studies for three key projects: the Berbice River Bridge, the Deep Water Harbour and the Guyana-Brazil Road.

J. Human Resource Development

5.33 Mr. Speaker, substantial outlays have been made this year to improve service delivery and the quality of health and education. In these difficult economic times, the Government has increased the recurrent budgetary outlay of agencies in these sectors by \$1.1 billion. Maintenance, materials and supplies and training are all expected to benefit from this increased allocation. In addition, this year, the Government plans to strengthen the institutional capacity of both ministries, and to improve the management information systems for educational and health statistics.

5.34 The Government also plans to conduct studies to better understand the impact of structural adjustment policies on poverty. To this end, the Bureau of Statistics will follow up on the Living Standards Measurement Survey and Household Income Expenditure Survey. The completion of this assessment will assist Government to improve the targeting of public subsidies.

TARGETS FOR THE ECONOMY IN 1998

6

A. Economic and Financial Policies and Targets

6.1 Mr. Speaker, the difficult economic circumstances that I have alluded to, are reflected in the targets set for 1998.

Real GDP Growth

6.2 Real GDP is projected to grow by 3.2 percent.

Agriculture

The El Nino weather pattern has severely affected the agricultural sector. Output of sugar and rice is expected to decline by 3 percent and 7 percent, respectively. Forestry products, specifically logs and sawn timber, are projected to rise from 564,700 cubic metres to 592,800 cubic metres, an increase of 5 percent.

2. Industry

6.3 The industrial sector, comprising mining, manufacturing and construction, is projected to grow by 6.8 percent. The mining and quarrying sector is projected to grow by 5.2 percent. Sub-sector production rates are as follows:

Calcined bauxite is targeted at 200,000 tons

Metal grade or dried bauxite is targeted at 2.4 million tons

Chemical grade bauxite is projected at 100,000 tons

Gold is projected at 444,500 ounces, an increase of 1.4 percent.

The **manufacturing sector** is projected to grow by 4.5 percent.

Construction, based on the implementation of the PSIP and current trends in the housing, is estimated to grow by 11 percent.

3. Services

The services sector, led by trading, financial and business services, and tourism, is targeted to grow by 3.6 percent.

Inflation

6.4 The targeted rate of inflation is 5.5 percent.

Balance of Payments

6.5 Mr. Speaker, as I mentioned earlier, several factors beyond our control, including the El Niño weather pattern and depressed world prices for our export commodities, are affecting our economy. Merchandise exports are targeted at US\$616 million, a 3.7 percent improvement. Imports are projected to rise by 1.6 percent to reach US\$652 million. The merchandise trade deficit is, therefore, expected to narrow to US\$36 million, on account of lower import growth. Transfers are projected to improve by US\$1 million, to US\$41 million.

6.6 Disbursement to the non-financial public sector is projected at US\$97 million. Net private capital is targeted at US\$53 million. Debt service will amount to US\$104 million. The surplus of the overall balance of payments is projected to increase by US\$41 million.

Money and Credit

6.7 Consistent with the projected GDP growth, money supply is expected to increase at 5 percent. The public sector is expected to make net repayments to the banking system, to allow for a growth in private sector credit of 10 percent.

Fiscal Targets

Central Government

6.8 Mr. Speaker, current revenue is budgeted to increase to \$38 billion, or by 11.8 percent. Revenue collection from Inland Revenue Department is budgeted to grow by 13 percent, to \$16.3 billion. A similar increase is budgeted for the Customs Department whose collections should rise to \$17.1 billion. Other current revenues are projected to increase by 3.8 percent, to reach \$4.6 billion in 1998.

6.9 Mr. Speaker, total expenditure is budgeted at \$49.2 billion or about \$0.7 billion less than budgeted in 1997. Of this amount, about \$14.4 billion has been set aside to meet statutory expenditure. Non-interest current expenditure is projected to grow by 9.5 percent to reach \$20.5 billion. Interest payments are targeted at \$9.6 billion, of which external interest payments are budgeted at \$6.4 billion. As a result, the current account balance of the Central Government is targeted to increase by \$3.0 billion, to reach \$7.9 billion. Income from privatisation is projected at \$2.2 billion, while capital expenditure is budgeted at \$14.8 billion. Consequently, the overall deficit of the Central Government is expected to improve substantially to \$4.7 billion in 1998.

Public Enterprises

6.10 Revenue from public enterprises is projected at \$48.2 billion while expenditures will decline by 3 percent to reach \$41.6 billion. The current account balance is targeted at \$7.9 billion. Taxes paid to the Central Government are projected at \$707million while transfers targeted at \$2.0 billion.

Non-Financial Public Sector

6.11 Mr. Speaker, the current account balance of the nonfinancial public sector, comprising the operations of the Central Government and the Public Enterprises, is projected to improve substantially from \$7.3 billion in 1997 to about \$11.1 billion in 1998. The overall deficit of the nonfinancial public sector is projected to improve to \$2.9 billion in 1998, from 7.0 billion in 1997.

BUDGET MEASURES AND POLICIES

7

7.1 Mr. Speaker, as I mentioned earlier in my presentation, 1998 is going to be a difficult and testing year for all Guyanese. In recognition of this, I have provided a detailed map of our economic and social agenda for this year and the rest of our second term. Before this budget, many persons speculated or pronounced on what the Government must do to raise revenue and reduce expenditure. We believe that while several initiatives can, and will, be taken to increase government revenues this year, increasing taxes is not one of them. There are no new taxes nor tax increases. We will, however, bring certain fees and licences to more realistic levels to reflect the cost of administration.

7.2 The focus of the measures is to give effect to several of the policy reforms referred to in this budget. These are detailed below.

Measures to Stimulate Private Sector Development

1 Establishment of Securities Trading Regulatory Framework

7.3 Mr. Speaker, in 1998, the Government will introduce legislation for securities trading and regulation. Currently, the main source of financing investment in Guyana is through the commercial banking system and financial intermediaries. The lack of alternative sources of financing is, perhaps, one of the reasons why, in spite of the widening of the banking system over the last three years, lending interest rates and the interest rates' spread have remained relatively high. The new securities legislation will create the framework for the establishment of a securities market. This will provide another avenue for financing in the public and private sectors.

2 Regulatory Framework for the Insurance Industry

7.4 Mr. Speaker, the insurance industry performs an important role as a mobiliser of investible resources in Guyana. It currently holds a sizeable part of the assets of the banking system. However, the industry is still operating under the Insurance Act 1970. Since that time the insurance industry world-wide has undergone several changes. It is in recognition of this fact that the Government proposes to

reform the industry with the enactment of new insurance sector regulations. Not only will these regulations improve competition and protect consumers, but also it will enable the considerable resources of the industry to be put to more productive use.

3. Legislative Framework for a Private Sector Development Bank

7.5 Mr. Speaker, there is a dire need for the private sector to access long-term financing. Currently, many private sector companies borrow short-term funds at high interest rates for productive purposes. Often, these funds are required to be repaid before returns are realised on the projects. In its discussions with the Government, the private sector identified the need for the establishment of a lending institution that is geared specifically toward long-term financing on concessional terms. We have accepted that such a need does exist. In this regard, in 1998, the Government will work closely with the private sector to establish the legislative framework for a private sector development bank. We intend to endow that institution with the requisite concessions to allow it to perform its role.

4. Re-introduction of Tax Holiday

7.6 Mr. Speaker, in 1994, we abolished tax holidays. We felt firmly that once the right climate was created and with the Government's focus on expanding and renewing the infrastructural base, investment would have been stimulated. On the evidence of the last five years, we were proven to be correct in our analysis. However, in an effort to stimulate pioneering activities and open up new locations, for example, the Intermediate Savannahs, we have decided to re-introduce tax holidays.

Measures to Stimulate the Housing Sector

1. Enactment of a Mortgage Financing Act

7.7 Mr. Speaker, I have already alluded to the high priority this Government attaches to making affordable housing available to all of our people. I have highlighted the work programme of the Housing Ministry and the steps being taken to strengthen that institution. Yet, if the housing drive is to be accelerated we will need to move swiftly to remove the bottlenecks impeding the sector's stronger growth. One such constraint is access to affordable mortgages. In recognition of this, the Government

will, in 1998, enact legislation for mortgage financing. The main objective is to increase the availability of concessional lending resources for housing. The intention is to give financial institutions incorporating under this Act the same concessions as those currently enjoyed by the New Building Society (NBS).

Measures to Compensate Labour

1 Wage Increase

7.8 Mr. Speaker, in 1998, the Government expects to have a wages policy in place. During 1997, discussions were held with the unions representing public servants with a view to finalising a wages policy. It is hope that these discussions can be concluded quickly, so that the policy could be in place before the end of the year.

7.9 Mr. Speaker, contrary to the idle predictions and speculations by some persons, there will be no wage freeze in 1998. The government has had tentative discussions with the Public Service Union and shortly, we will begin negotiations for wage increases for 1998. Members of the disciplined services, teachers, pensioners and recipients of public assistance will also benefit from the block funds budgeted for this purpose.

2. Key and Critical Supplements

7.10 The Government has committed itself to pay \$180 million over three years to certain categories of officers whose posts are deemed to be vital in the civil service. Last year, approximately \$70 million was spent on key and critical positions. We expect to pay out about \$60 million this year.

Poverty Alleviation

7.11 Mr. Speaker, \$150 million has been budgeted to continue the poverty alleviation programme in 1998.

Subventions to Neighbourhood Democratic Councils

7.12 Mr. Speaker, \$195 million has been budgeted to assist these Councils in the implementation of their programmes.

CONCLUSION

8

8.1 Mr. Speaker, throughout this presentation, I have explained the reasons why 1998 is going to be a difficult year for our country. Our economy will be affected adversely by the continuing El Nino phenomenon, and by low prices for our exports. Nonetheless, we are confident that we have been able to fashion a set of policies and measures that will see growth continuing. This budget has not imposed further hardships on our people.

8.2 On the contrary, the budget increases spending on health and education by over \$1 billion. In addition, \$14.8 billion will be spent on the continuation of our capital programme. More schools and health centres will be built, more roads and sea defences will be constructed and rehabilitated, more drainage and irrigation and pure water systems will be upgraded. Furthermore, we have set aside US\$5 million to assist our farmers, miners, and the hinterland communities to alleviate the hardships caused by El Nino.

8.3 This budget also provides additional incentives to the private sector and sets aside money for wage and salary increases. Mr. Speaker, we have done all of these without imposing new taxes.

8.4 Mr. Speaker, although our democracy is still fragile, our country has a great future. Therefore, irrespective of our race, religion or political affiliation we must work together to build this beautiful country of ours because, after all, as our budget theme emphasises, this is **“Our Guyana”**.

I thank you.

Fees and Licences

7.13 Mr. Speaker, effective immediately, certain fees and licences described in the attached Schedules 1 and 2 are increased accordingly.

SCHEDULE 1

LICENCE ADMINISTERED BY THE LICENCE REVENUE DIVISION

SECTION	DESCRIPTION	
	<u>MOTOR VEHICLE AND ROAD TRAFFIC ACT</u>	
	<u>CHAPTER 51:02</u>	
	<u>LICENCE FEES IN RESPECT OF VEHICLES</u>	1998
1	<u>For each Motor Cycle:-</u>	
(a)	Having 2 wheels and not exceeding 200 pounds	1,000
(b)	Having 3 wheels	1,500
(c)	Having 2 wheels and exceeding 200 pounds	2,000
2	<u>For each Motor Vehicle other than a Motor Cycle</u>	
(a)	Not exceeding 2240 pounds	2,000
(b)	Exceeding 2240 pounds and not exceeding 3,000 pounds	2,500
(c)	Exceeding 3,000 pounds and not exceeding 4,000 pounds	4,000
(d)	Exceeding 4,000 pounds and not exceeding 5,000 pounds	6,000
(e)	Exceeding 5,000 pounds	10,000
3	<u>Passenger vehicle for Hire or Reward</u>	
	<u>For each Hire Car</u>	
(a)	Not exceeding 2240 pounds	4,000
(b)	Exceeding 2240 pounds and not exceeding 3,000 pounds	4,500
(c)	Exceeding 3,000 pounds	5,000
6	<u>For each Goods Vehicle:-</u>	
(a)	Not exceeding 1,120 pounds unladen weight	2,500
(b)	Exceeding 1,120 pounds but not exceeding 2,240 pounds unladen weight	4,500
(c)	Exceeding 2,240 pounds but not exceeding 4,480 pounds unladen weight	9,000
(d)	Exceeding 4,480 pounds but not exceeding 8960 pounds unladen weight	11,000
(e)	Exceeding 8,960 pounds but not exceeding 13,440 pounds unladen weight	25,000
(f)	Exceeding 13,440 pounds unladen weight	30,000
	<u>Provided that:-</u>	
(i)	For a motor Lorry exceeding four tons, but not exceeding six tons payload	25,000
(ii)	For a motor Lorry exceeding six tons payload	30,000
(iii)	For an articulated vehicle the unladen weight of which exceeds 11,200 pounds	35,000
22	For dealer's general licence	100,000
	For each dealer's general identification mark	10,000

SCHEDULE 2

LICENCE ADMINISTERED BY THE LICENCE REVENUE DIVISION

DESCRIPTION	1998
REVENUE FEES CHARGED	
Shot Gun	2,000
Pistol and Revolver	500
Rifle Combination	5,000
Removal of License	7,500
Registration of Premises	1,000
Certificate of Character	500
Brand Application Fees	500
Pound Fees Large Animals	1,000
Pound Fees Small Animals	500
Pound Fees Overnight	100
Cost for copy of report	500
Dance processing fees	500
Cost for precept/ID card	1,000
Old metal dealer license	40,000
Cost for Finger Print Chart	500
Sale of Blanks	200
Sale of Passport Form	200
Sale of Renewal Form	100
Learner Driving Fees	1,000
Storage of Explosives	5,000
Airport Departure Fees	2,500

Appendices

APPENDIX I

SELECTED SOCIO - ECONOMIC INDICATORS

ITEM	1997	1996	1995	1994	1993
1.0 NATIONAL ACCOUNTS AGGREGATES					
1.1 Growth Rate of Real GDP	6.3	7.9	5.1	8.5	8.3
1.2 GDP at factor cost (US\$M)	626.5	590.1	517.0	456.8	390.0
1.3 GNP at factor cost (US\$M)	552.8	510.9	431.0	373.8	296.2
1.4 Per capita GDP (US\$)	808.3	766.0	680.0	612.0	531.0
1.5 Per capita GNP (US\$)	713.2	663.0	567.0	501.0	403.0
1.6 Gross National Disposable Income (US\$M)	678.5	67.3	563.4	488.6	400.7
1.7 Private Consumption as % of Gross Domestic Expenditure	41.4	42.1	43.2	43.9	42.6
1.8 Public Consumption as % of Gross Domestic Expenditure	18.5	16.5	14.8	14.4	12.5
2.0 EXTERNAL TRADE AND FINANCE (US\$M)					
2.1 BOP Current Account Balance	-105.1	-69.7	-94.9	-100.8	-137.9
2.2 Imports of Goods and Non-Factor Services (G&NFS)	708.8	663.5	626.9	576.2	567.6
2.3 Exports of Goods and Non-Factor Services (G&NFS)	637.4	621.0	579.0	526.4	494.5
2.4 Resource Balance	-71.4	-42.5	-47.9	-49.8	-73.1
2.5 Imports of G&NFS/GDP(%)	113.1	112.4	121.3	126.1	145.5
2.7 Exports of G&NFS/GDP(%)	101.7	105.2	112.0	115.2	126.8
2.8 Net International Reserves of Bank of Guyana	149.9	147.6	86.4	78.8	56.5
2.9 External Public Debt Outstanding	1513.5	1498.7	2058.0	2004.0	2062.0
3.0 PRICES, WAGES & OUTPUT					
3.1 Rate of Inflation (% changed in Urban CPI)	4.1	4.5	8.1	16.1	7.7
3.2 Public Sector Monthly Minimum Wage in G\$(e.o.p)	8804.4	7337.0	6380.0	5500.0	4314.0
3.3 % Growth Rate	20.0	15.0	16.0	27.5	37.5
3.4 Electricity Generation (in M.W.H)	390.4	347.3	335.0	290.6	252.2
4.0 POPULATION & VITAL STATISTICS					
4.1 Mid-Year Population ('000)	775.1	770.1	760.4	746.0	734.9
4.2 Population Growth Rate (e.o.p)	0.1	0.5	1.3	2.2	1.1
4.3 Net Migration ('000)	-16.3	-8.0	-7.5	0.3	-7.0
4.4 Visitor Arrivals ('000)	75.7	97.1	107.6	112.8	107.3
4.5 Crude Birth Rate (per 1,000 persons)	34.7	29.2	29.8	29.2	27.3
4.6 Crude Death Rate (per 1,000 persons)	8.6	7.3	7.1	7.1	6.9
4.7 Crude Marriage Rate (per 1,000 persons)	6.5	8.7	5.2	5.2	4.6
4.8 Infant Mortality Rate (per 1,000 live births)	-	-	27.8	28.8	34.9
4.9 Under 5 mortality Rate (per 1,000 live births)	-	-	24.6	28.8	34.9
5.0 HEALTH AND EDUCATION					
5.1 Public Expenditure on:					
5.1.1 Education as % of National Budget	6.3	7.3	6.7	7.3	6.2
5.1.2 Health as % of National Budget	7.3	6.3	8.3	7.4	6.9
5.2 Number of Physicians per Ten Thousand Population	2.8	3.8	3.0	3.1	2.1
5.3 Number of Nurses per Ten Thousand Population	9.4	8.0	8.0	6.3	5.0
5.4 Number of Hospital Beds per Ten Thousand Population	38.8	35.9	35.9	35.9	27.7
5.5 Low birth-weight babies (<2500g.) as a % of live births	-	14.6	15.3	19.2	16.4
5.6 Severely malnourished	-	0.9	1.1	8.0	0.0
5.7 Moderately malnourished	-	18.2	20.6	15.2	0.0
5.8 Underweight	-	4.5	5.6	3.6	0.0
6.0 IMMUNIZATION COVERAGE					
6.1 1 year olds Immunized against DPT (%)	-	83.0	86.0	89.7	92.9
6.2 1 year olds Immunized against measles (%)	-	91.1	84.1	82.8	80.4
6.3 1 year olds Immunized against polio (%)	-	83.0	87.0	90.1	92.2
6.4 1 year olds Immunized against TB (%)	-	88.4	93.3	93.5	94.3
7.0 CRIME					
7.1 Reported Serious Crimes	-	4563.0	3425.0	5188.0	6642.0
7.2 of which: Homicides	-	88.0	109.0	108.0	117.0

APPENDIX II

REAL OUTPUT INDEX

SECTOR	Budget 1998	Revised 1997	Budget 1997	1996	1995	1994
TOTAL	158.5	153.5	150.1	144.6	129.9	123.7
Sugar	156.6	162.4	169.4	164.6	149.6	150.8
Rice	246.2	262.1	265.5	257.3	239.2	177.1
Livestock	215.4	204.1	120.0	193.4	89.7	73.0
Other Agriculture	143.2	136.8	135.3	130.1	125.1	115.8
Fishing	177.5	166.9	116.1	154.5	109.5	99.4
Forestry	370.0	353.5	329.2	307.7	284.9	246.0
Mining & Quarrying	187.6	178.3	180.0	155.0	131.6	148.5
Manufacturing	123.4	118.1	118.7	113.0	109.7	97.3
Distribution	150.1	143.5	141.8	136.3	129.8	123.6
Transport & Communication	159.8	151.7	146.2	139.2	125.4	115.0
Engineering & Construction	203.3	183.1	194.4	162.0	142.0	129.1
Rent & Dwellings	141.0	133.7	132.4	126.1	119.0	110.2
Financial Services	159.6	153.5	156.2	147.4	134.6	124.6
Other Services	152.3	145.0	144.9	137.9	128.3	121.0
Government	103.6	102.8	99.9	99.9	97.9	96.0

CENTRAL GOVERNMENT
FINANCIAL OPERATIONS (ECONOMIC CLASSIFICATION)

ITEM	SCHEDULED EXTERNAL DEBT				WITH CASH EXTERNAL DEBT			
	BUDGET	REVISED	BUDGET	ACTUAL	BUDGET	REVISED	BUDGET	ACTUAL
	1998	1997	1997	1996	1998	1997	1997	1996
1.0 CURRENT REVENUES	38,010.0	33,997.5	38,265.3	35,117.3	38,010.0	33,997.5	38,265.3	35,117.3
1.1 Inland Revenue	16,260.3	14,391.2	17,000.0	14,937.4	16,260.3	14,391.2	17,000.0	14,937.4
1.2 Customs & Excise	17,121.4	15,148.0	16,934.5	15,485.8	17,121.4	15,148.0	16,934.5	15,485.8
1.3 Sugar Levy	2,000.0	2,000.0	1,900.0	1,700.0	2,000.0	2,000.0	1,900.0	1,700.0
1.4 Other 1/	2,628.3	2,458.3	2,430.8	2,994.1	2,628.3	2,458.3	2,430.8	2,994.1
2.0 CURRENT EXPENDITURES	20,495.9	18,708.6	19,211.7	15,300.8	20,495.9	18,708.6	19,211.7	15,300.8
2.1 Employment Cost	9,754.5	8,931.0	9,145.2	6,763.6	9,754.5	8,931.0	9,145.2	6,763.6
2.2 Other Charges 1/	10,741.4	9,777.6	10,066.5	8,537.2	10,741.4	9,777.6	10,066.5	8,537.2
3.0 CURRENT PRIMARY (NON-INTEREST) BALANCE	17,514.1	15,288.9	19,053.6	19,816.5	17,514.1	15,288.9	19,053.6	19,816.5
4.0 INTEREST	12,665.5	14,865.8	12,565.0	8,750.7	9,606.0	10,342.7	9,544.5	8,642.9
4.1 Internal 2/	3,211.1	3,966.0	3,813.9	5,143.4	3,211.1	3,966.0	3,813.9	5,143.4
4.2 External (Scheduled)	9,454.4	10,899.8	8,751.1	3,607.3	6,394.9	6,376.7	5,730.6	3,499.5
5.0 CURRENT BALANCE	4,848.6	423.1	6,488.6	11,065.8	7,908.1	4,946.2	9,509.1	11,173.6
6.0 CAPITAL REVENUES	3,725.3	5,059.5	4,954.8	2,944.7	3,725.3	5,059.5	4,954.8	2,944.7
6.1 Grants	1,476.4	3,064.6	1,929.1	2,487.3	1,476.4	3,064.6	1,929.1	2,487.3
6.2 Proceeds from Divestment	2,178.9	1,896.0	3,005.7	401.1	2,178.9	1,896.0	3,005.7	401.1
6.3 Other incl. Sale of Assets	70.0	98.9	20.0	56.3	70.0	98.9	20.0	56.3
7.0 CAPITAL EXPENDITURES	14,845.1	16,630.8	16,543.7	15,705.5	14,845.1	16,630.8	16,543.7	15,705.5
7.1 Central Government	14,835.1	14,785.2	15,832.7	14,610.2	14,835.1	15,259.6	15,832.7	14,610.2
7.2 Transfers to Public Enterprises	0.0	1,784.4	710.0	1,057.8	0.0	1,310.0	710.0	1,057.8
7.3 Other	10.0	61.2	1.0	37.5	10.0	61.2	1.0	37.5
8.0 OVERALL BALANCE	(6,271.2)	(11,148.2)	(5,100.3)	(1,695.0)	(3,211.7)	(6,625.1)	(2,079.8)	(1,587.2)
9.0 TOTAL FINANCING	6,271.2	11,148.2	5,100.3	1,695.0	3,211.7	6,625.1	2,079.8	1,587.2
10.0 NET EXTERNAL BORROWING	10,654.4	8,736.2	10,435.0	7,131.3	7,594.8	4,213.1	7,414.6	7,023.5
10.1 Disbursements of Loans	11,388.5	8,571.5	11,419.2	11,266.3	11,388.5	8,571.5	11,419.3	11,266.3
10.2 Debt Repayment (Scheduled)	3,835.3	4,497.9	7,578.2	4,662.0	3,793.7	4,358.4	4,004.7	4,242.8
10.3 Interest Debt Relief	3,059.5	4,523.1	3,020.5	107.8				
10.4 Principal Debt Relief	41.6	139.5	3,573.5	419.2				
11.0 NET DOMESTIC BORROWING	(6,228.2)	(110.9)	(8,239.7)	(7,441.2)	(6,228.1)	(110.9)	(8,239.8)	(7,441.2)
11.1 Net Advances	(7,214.2)	3,397.9	(9,255.3)	(9,986.4)	(7,214.1)	3,397.9	(9,255.4)	(9,986.4)
11.2 Net Increase in Treasury Bill Holdings	564.0	(1,605.9)	1,565.4	4,081.4	564.0	(1,605.9)	1,565.4	4,081.4
11.3 Net Increase in Debentures	422.0	(1,902.9)	(549.8)	(1,536.2)	422.0	(1,902.9)	(549.8)	(1,536.2)
12.0 NON-PROJECT BALANCE OF PAYMENTS GRANTS (+) 3/	1,845.0	3,060.7	2,905.0	1,689.0	1,845.0	3,060.7	2,905.0	1,689.0
13.0 OTHER FINANCING	0.0	(537.8)	0.0	315.9	0.0	(537.8)	0.0	315.9
Total Domestic and Scheduled External Debt Service as a % of Current Revenues	42.3%	62.6%	54.1%	42.6%	34.1%	48.8%	36.8%	41.1%

Source: Ministry of Finance

1/ Excludes reimbursable Rice Levy (a).

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

3/ Figures reflect counterpart funds which are included in the capital budget.

Figures: G\$m

Source: Ministry of Finance

APPENDIX IV

**URBAN CONSUMER PRICE INDEX
(GEORGETOWN)**

GROUP	1996	1997											
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
ALL ITEMS	129.6	130.9	130.6	130.1	130.2	130.0	134.2	133.7	133.7	135.0	135.9	136.4	135.3
FOOD (incl. Alcoholic Beverages)	137.6	139.3	137.9	136.9	136.6	135.2	135.7	134.4	134.2	136.6	138.6	140.0	142.9
CLOTHING	89.0	88.1	88.6	88.4	88.4	87.9	86.9	86.5	85.3	85.3	83.4	83.4	81.9
FOOTWEAR	83.6	85.4	85.4	85.5	85.9	79.0	76.9	76.9	76.6	76.6	76.8	76.0	76.1
HOUSING	137.0	137.0	137.0	136.6	136.4	136.4	154.2	154.2	155.0	155.0	155.0	155.0	144.5
FURNITURE	115.8	115.7	119.6	119.3	121.5	121.3	121.5	120.7	121.2	121.2	120.6	119.6	119.8
TRANSPORT & COMMUNICATION	121.5	123.4	123.2	123.7	124.5	129.8	129.7	129.7	130.0	130.0	130.5	130.4	130.4
MEDICAL & PERSONAL CARE	121.1	122.0	121.7	121.7	122.5	120.5	120.9	124.7	125.1	125.1	129.9	129.6	129.9
EDUCATION, RECREATION, CUL.	123.4	124.1	124.2	124.2	125.5	125.3	125.3	125.3	127.4	127.4	127.4	127.2	127.1
OTHER GOODS AND SERVICES	121.0	122.2	122.8	122.6	123.2	124.5	124.6	124.7	125.3	125.3	124.8	124.8	125.0

Base Year: Dec 1996 = 100
Source: Bureau of Statistics

**Budget Speech
Appendices**

APPENDIX V

**BALANCE OF PAYMENTS
ANALYTIC SUMMARY**

ITEM	Budget 1998	Revised 1997	Budget 1997	Actual 1996	Actual 1995
A Current Account	-88.0	-105.1	-35.5	-53.8	-94.9
1.0 Merchandise (Net)	-36.0	-48.2	-18.5	-20.2	-40.8
1.1 Exports (f.o.b.)	616.0	593.4	606.5	574.8	495.7
1.1.1 Bauxite	92.0	89.4	80.0	86.0	82.9
1.1.2 Sugar	138.0	133.4	145.2	150.7	135.0
1.1.3 Rice	78.0	84.7	87.7	93.7	77.4
1.1.4 Gold	140.0	139.5	159.2	105.9	108.4
1.1.5 Other	151.0	125.8	117.9	104.3	75.2
1.1.6 Re-exports	17.0	20.6	16.5	16.0	16.8
1.2 Imports (c.i.f.)	-652.0	-641.6	-625.0	-595.0	-536.5
1.2.1 Fuel & Lubricants	-105.0	-100.0	-110.0	-89.9	-96.5
1.2.2 Other	-547.0	-541.6	-515.0	-505.1	-440.0
2.0 Services (Net)	-92.0	-96.9	-61.5	-74.6	-93.1
2.1 Factor	-50.0	-73.7	-55.0	-52.3	-86.0
2.2 Non Factor (Net)	-42.0	-23.2	-6.5	-22.3	-7.1
3.0 Transfers	40.0	40.0	44.5	41.0	39.0
3.1 Official	16.0	16.0	17.5	13.5	12.0
3.2 Private	24.0	24.0	27.0	27.5	27.0
B Capital Account	133.0	125.7	23.0	59.5	28.0
1.0 Capital Transfers	7.0	23.7	57.0	618.0	0.0
2.0 Medium and Long Term Capital (Net)	119.0	90.0	-20.5	-552.9	26.2
2.1 Non - Financial Public Sector Capital (Net)	69.0	38.0	-85.5	-611.9	-27.2
2.1.1 Disbursements	97.0	67.0	40.0	40.2	30.5
2.1.2 Amortization	-28.0	-29.0	-68.5	-34.1	-63.2
2.1.3 Other	0.0	0.0	-57.0	-618.0	5.5
2.2 Private Sector (Net)	50.0	52.0	65.0	59.0	53.4
3.0 Short Term Capital	7.0	12.0	-13.5	-5.6	1.8
C Errors and Omissions	0.0	-16.6	0.0	-7.1	-2.0
D OVERALL BALANCE	45.0	4.0	-12.5	-1.4	-68.9
E Financing	-45.0	-4.0	12.5	1.4	68.9
1.0 Bank of Guyana net foreign assets	-227.0	-22.0	-33.0	-14.0	2.3
1.1 Assets (increase-)	-41.0	3.0	-33.0	-14.0	2.3
1.2 Liabilities	-186.0	-25.0	0.0	0.0	0.0
2.0 Exceptional Financing	182.0	18.0	45.5	15.4	66.6
2.1 Debt Relief	8.0	18.0	0.0	0.0	57.4
2.2 Balance of Payments Support	174.0	0.0	45.5	15.4	9.2

Figures: US\$m

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

APPENDIX V

**BALANCE OF PAYMENTS
ANALYTIC SUMMARY**

ITEM	Budget 1998	Revised 1997	Budget 1997	Actual 1996	Actual 1995
A Current Account	-88.0	-105.1	-35.5	-53.8	-94.9
1.0 Merchandise (Net)	-36.0	-48.2	-18.5	-20.2	-40.8
1.1 Exports (f.o.b.)	616.0	593.4	606.5	574.8	495.7
1.1.1 Bauxite	92.0	89.4	80.0	86.0	82.9
1.1.2 Sugar	138.0	133.4	145.2	150.7	135.0
1.1.3 Rice	78.0	84.7	87.7	93.7	77.4
1.1.4 Gold	140.0	139.5	159.2	105.9	108.4
1.1.5 Other	151.0	125.8	117.9	104.3	75.2
1.1.6 Re-exports	17.0	20.6	16.5	16.0	16.8
1.2 Imports (c.i.f.)	-652.0	-641.6	-625.0	-595.0	-536.5
1.2.1 Fuel & Lubricants	-105.0	-100.0	-110.0	-89.9	-96.5
1.2.2 Other	-547.0	-541.6	-515.0	-505.1	-440.0
2.0 Services (Net)	-92.0	-96.9	-61.5	-74.6	-93.1
2.1 Factor	-50.0	-73.7	-55.0	-52.3	-86.0
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1.1 Assets (increase-)	-41.0	3.0	-33.0	-14.0	2.3
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2.0 Exceptional Financing	182.0	18.0	45.5	15.4	66.6
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2.2 Balance of Payments Support	174.0	0.0	45.5	15.4	9.2

Figures: US\$m

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