

NATIONAL ASSEMBLY  
CO-OPERATIVE  
REPUBLIC OF GUYANA



March 7, 1994  
BUDGET SPEECH

# 1994 BUDGET

GuyExpo '94 - Sophia



Amerindian Exhibition



New Power Generating Plant - Garden of Eden



Road Rehabilitation



Bauxite Mining Operations



PRICE  
\$500

**GUYANA**

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SIXTH PARLIAMENT OF GUYANA

UNDER THE

CONSTITUTION OF GUYANA

First Session 1992 – 1994

**BUDGET SPEECH**

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7th March 1994

## TABLE OF CONTENTS

<b>CHAPTER 1 INTRODUCTION</b>	<b>2</b>
<b>CHAPTER 2 REVIEW OF PERFORMANCE IN 1993</b>	<b>7</b>
. Gross Domestic Product	7
. Sectoral Developments	7
. The Consumer Price Index	11
. Balance of Payments	12
. Performance of the Non-Financial Public Sector	13
. Public Sector Investment Programme	17
. Private Sector Investment	18
. Financial Developments	19
<b>CHAPTER 3 THE GOVERNMENT'S VISION OF THE DEVELOPMENT PROCESS</b>	<b>24</b>
. Strategy Orientation to Achieve the Vision.	25
<b>CHAPTER 4 CONFRONTING THE MAJOR ISSUES OF CONCERN TO THE POPULATION</b>	<b>27</b>
. Poverty and the Social Sector	27
. Wages, Salaries and Pensions	34
. Guyana Electricity Corporation	36
. Privatisation Programme	37
. External Debt	39
<b>CHAPTER 5 ECONOMIC OUTLOOK FOR 1994</b>	<b>41</b>
. Gross Domestic Product	41
. Inflation	41
. Balance of Payments	42
. Financial Sector Policies in 1994	43
. Monetary Management	44
. Foreign Exchange Market	45
. The Insurance Industry	45
<b>CHAPTER 6 1994 BUDGET</b>	<b>46</b>
. Central Government	46
. Public Corporations	50
. The PSIP for 1994 - 1996: The Way Forward	50
<b>CHAPTER 7 PROPOSALS AND MEASURES FOR 1994</b>	<b>55</b>
<b>CHAPTER 8 CONCLUSION</b>	<b>65</b>
<b>STATISTICAL APPENDICES</b>	<b>67</b>



Report, while the resumption in economic growth in North America impacted favourably on the tourism sector, this was insufficient to energise a number of the Region's economies. As a result, unemployment remained high while the fiscal balance came under intense pressure.

The Caribbean Community faces an uncertain future with globalisation and the free movement of capital and goods. The region has a small internal market, relatively high cost structure, low levels of skilled manpower, and faces pressures to reduce the protection afforded under the Common External Tariff. Under these circumstances, it will be increasingly difficult to compete with goods produced in the "miracle" South Asian countries, which benefit from low-cost labour, skilled manpower and huge internal markets. Our Community and country must face up to these new realities and the possibility of losing our protected overseas markets.

A common feature of many developing countries is the constraint posed by enormous debt servicing obligations and the magnitude of the external debt. Although concessional official lending, successive rescheduling and debt forgiveness have helped to temper the more onerous effects of this burden, the magnitude of the external debt remained the principal obstacle to both attracting increased private inflows and raising the level of domestic savings and investment. Despite significant adjustment measures undertaken by many low-income countries, the severity of the debt problem has eroded the positive gains from the adjustment process. In this regard, the international community must intensify its search for a viable solution to this problem while improving the level and flow of concessional resources to the low-income countries.

The picture painted for the developing countries as a group mirrors closely that which has emerged for Guyana where, at the end of 1993, the total external public debt was US\$2,091 million, almost five (5) times the receipts from merchandise exports, while debt service accounted for over 70 percent of fiscal revenues.

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democracy is being strengthened at every level of society -political, as well as economic and social. A solid foundation was laid, not only for sustaining growth and human development, but also in consolidating the reconstruction of our democratic way of life. That is why I see this Budget as a means of strengthening the political, economic and social fabric of the nation, as well as a means of fostering the cultural and intellectual vibrancy which this Government is determined to promote. The democratic dividend which the people receive is the remarkable progress which the country is making. It is the improving health care and the attention being paid to law reform and law enforcement. It is the freedom to express different views and opinions. It is the effort we are making to improve our educational system which is fundamental, not only to our future economic and social progress, but also to a flourishing cultural and intellectual development in the nation.

When I presented my budget last year, I outlined the formidable tasks which we faced, in particular, the burden of the external debt; the existence of pervasive poverty; and the dilapidated state of the physical and social infrastructure. It was not surprising, therefore, that we sought to focus our attention in that budget on: increasing revenue collection; cutting out waste and extravagance; improving the social well-being of the people through intensification of programmes for poverty alleviation; rebuilding the decrepit health care and education systems; and improving benefits and incomes in the public sector. At the same time, we resolutely pursued the tasks of reducing the rate of inflation, improving the fiscal position, and accelerating economic growth and structural change, and human development.

Mr. Speaker, I wish to report that the targets set in the 1993 budget and the structural benchmarks set by the International Monetary Fund (IMF) were achieved by wide margins. A quick look at some of the key indicators reveals the following:

- **Real growth of the economy surpassed its targeted level of 7.8 percent to achieve 8.3 percent. This was due mainly to increased production in the agricultural, mining and construction sectors;**

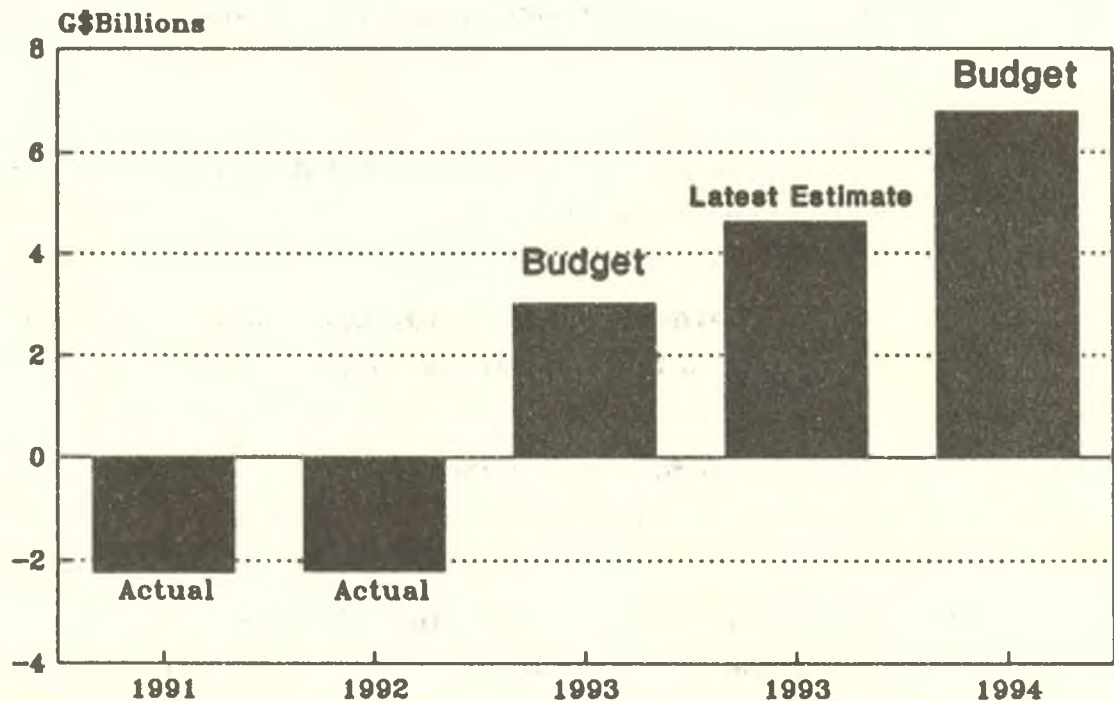


- **The 7.7 percent rate of price inflation was below the 9 percent target and almost one half of the level recorded in 1992;**
- **The increase in the Gross International Reserves was more than four times the target of US\$13 million, while the exchange rate remained relatively stable;**
- **The overall fiscal deficit in 1993 was reduced to 24.5 percent of GDP, some 15.5 percentage points below the budgeted level of 40 percent;**
- **The growth of external debt, which was projected to increase to US\$2,128 million in 1993, was contained to US\$2,091 million;**
- **Wages and salaries for public sector employees were 30 percent higher in 1993 than at the end of 1992; and**
- **The current account of the non-financial public sector improved dramatically from a deficit of \$2,195 million in 1992 to a surplus of \$4,610 million in 1993, as shown in the figure 1 overleaf.**

On the international side, Guyana has returned to respectability and credit-worthiness in the international financial and business community. The EXIM Bank has resumed coverage for Guyana and in January 1994, the Caribbean Group for Cooperation and Economic Development, for the first time ever, hosted a meeting in a recipient country. The donors confirmed aid commitments amounting to US\$320 million for the next three years, exceeding expectations and closing the initial financing gap. In February 1994, the GUYEXPO Trade Fair was successfully held at Sophia. The enthusiasm of both local and foreign businessmen who displayed over 130 booths and exhibits, augurs well for future investments.

Overseas Guyanese continue to play their part in the re-building of the country in several ways. The scheme for returning Guyanese, introduced after the PPP/CIVIC Government

## Non-Financial Public Sector Current Balance, 1991-1994



Source: Ministry of Finance

**Figure 1**

took office, was responsible for attracting overseas-based Guyanese with varying levels of skills to enhance the development process. These remigrants, who included medical doctors, businessmen, engineers, pilots, teachers and economists, have all taken up the challenge to return to serve their native land. These skills are now being utilised in both the private and public sectors. So far, over 410 families have been granted remigrant status. In the meantime, many more applications are being processed.



## **CHAPTER 2**

### **REVIEW OF PERFORMANCE IN 1993**

#### **Gross Domestic Product (GDP)**

During 1993, real GDP grew by 8.3 percent, the highest recorded growth performance in CARICOM and the fourth consecutive year that the economy has achieved growth in excess of 6 percent. This admirable performance was the result of the continued improvement in the macroeconomic environment and the progress made in the restoration of the infrastructure and productive capacities of key industries in the economy. The supply response was particularly evident in the gold, forestry and rice industries where substantial investments enabled expansion in output and exports.

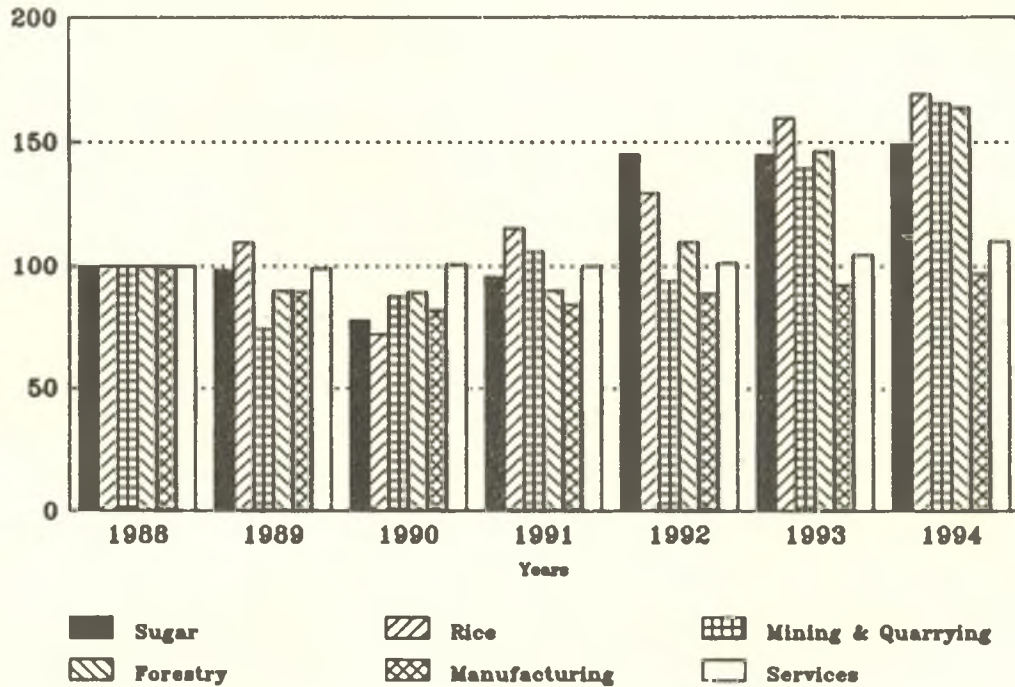
#### **Sectoral Developments**

##### **Agriculture, Forestry and Fishing**

Agricultural output increased by 8 percent. This was due mainly to the increased contributions of the forestry and rice industries which grew by 32.9 percent and 23.1 percent, respectively. Livestock and other agriculture also experienced reasonable growth during 1993. The sugar and fishing industries were also able to make meaningful contributions to the real growth performance of the economy.

**Sugar:** 246,475 tons of sugar were produced in 1993, about the same level as in 1992. The first crop of 92,456 tons of sugar was 4.7 percent less than the output recorded for the same period in 1992. The poor performance of the first crop was due to the high number of work stoppages that limited production. This was more than double the amount for the same period in 1992.

## REAL OUTPUT PERFORMANCE



Source: Bureau of Statistics

**Figure 2**

During the second half of the year, the industry's production suffered from the effects of the heavy rainfall which started in November. In addition, over 2,000 tons of sugar were lost because of a two-week strike at the Blairmont estate. Notwithstanding the many problems encountered, the industry achieved its second crop target of 151,000 tons, which enabled it to satisfy its preferential and local markets.

**Rice:** Rice production in 1993 was 207,375 tons, which was 23.2 percent higher than in 1992. This increase was partly in response to increased prices, as well as the timely availability of fertilizers, equipment and spares - which were made possible by the increased disbursements to farmers of the IDB's Agriculture Rehabilitation Loan. These encouraging factors no doubt stimulated farmers to increase the acreage of paddy under cultivation.

**Forestry:** During 1993, the forestry industry expanded its output to 276,268 cubic metres of timber from 188,994 cubic metres in 1992 - an increase of 46.1 percent which reflects the substantial investment by both local and foreign timber companies in this sub-sector. Notwithstanding this performance, our forests have not made the kind of contribution to our general development nor to our GDP as was anticipated. Of even greater disappointment has been the sub-sector's contribution to revenues in the form of royalties and acreage fees. A mere \$23 million in royalties was paid by all the operators in this sub-sector in 1993. This figure is significantly below the amount required to properly manage the sector. More startling is the fact that the locally owned companies accounted for less than 40 percent of this paltry sum. Mr. Speaker, the Government is moving to review the royalty rates and acreage fees paid. In the meanwhile, it has suspended new timber sales agreements with applicants for large concessions in order to establish conditions which will guarantee a greater return to the country.

**Fishing:** Output of this industry increased by 3.5 percent. However, pressures continue to be placed on our marine resources from over-fishing by local and foreign trawler operators.

**Other Agriculture:** Other agricultural products, such as fruits and vegetables, increased by 5 percent in 1993. The prospects for further growth in this area are promising and Government will continue to assist in both the production and marketing areas in an effort to realise the sub-sector's potential and increase its contribution to the GDP and export earnings.

### **Mining and Quarrying**

**Bauxite:** Bauxite production in 1993 increased by 12 percent above the 1992 level. This increased output was due to the increased production of all categories of bauxite products, in particular, calcined bauxite which grew by 14.3 percent to attain 267,309 tons. The improved output performance in the bauxite industry was primarily the result of the ongoing restructuring and rehabilitation programme to improve the efficiency of the mining and stripping operations. Linmine, in particular, benefited from foreign



capital inflows and was able to strengthen its financial and management position. The recovery in the industry is, however, still tenuous because of competition from the Chinese and other bauxite producers, the dumping of bauxite products by the USA from its stockpiles, and the generally depressed demand in the international market.

**Gold:** Production increased by 340 percent during 1993. This high level of growth in the gold mining industry reflects the coming on stream of the OMAI gold company during the early part of the year. Output from this company during its first year of operations was 8,709 kg. of gold, which exceeded the annual gold production of local miners by over 250 percent. At the same time, local miners also increased their declaration from 2,475 kg. in 1992 to 2,709 kg. in 1993. This performance was due to increased investments that were concentrated on land operations, as against alluvial river bed mining, and the competitive price paid by the Gold Board. Although the local gold mining industry continues to be affected by poor infrastructure, especially the poor condition of the roads, prospects for increased production and declaration in the medium term are encouraging.

### **Manufacturing**

At 4 percent, growth in the manufacturing sector was lower-than-expected, despite increased production in the traditional areas - margarine, aerated drinks, rum and neutral alcohol which grew by 41.7 percent, 31.4 percent, 15.4 percent, and 10.4 percent, respectively. Significant growth in this sector, however, continues to be inhibited by the lack of investment funds, unreliable electricity supply and other infra-structural weaknesses.

### **Services**

The buoyancy of the services sector that was exhibited in 1993 was due mainly to the liberalization of the economy, which facilitated an increased flow of goods and services.

## **The Consumer Price Index**

Mr. Speaker, over the last several years, our population experienced both deteriorating real incomes and the erosion of their purchasing power in the market place. I am very pleased to announce that this trend has been slowly reversing. During 1993, the inflation rate continued its decline from 70 percent in 1991 and 14 percent in 1992 to 7.7 percent by the end of 1993.

Several factors were responsible for this improvement, foremost of which were:

- the sterilization of the excess liquidity in the financial system through the sale of treasury bills on the open market. This had the effect of slowing the rate of expansion in the money supply;
- the liberalisation of commerce and trade, resulting in the increased availability of a range and variety of goods and services in the consumer and producer markets at very competitive prices; and
- the restraint of the growth of public sector expenditure; including wage increases to the public sector employees - in line with available financial resources, in order to improve public sector savings.

I am pleased to report that the Bureau of Statistics was able to successfully mount and conclude a nationwide Household Income and Expenditure Survey, the first since 1970. The results of that survey were made available to the public in November, 1993.

On the basis of the currently derived consumption patterns of the average Guyanese household, a new Consumer Price Index with 1994 as the base year, will be gazetted and published monthly from around the middle of this year.

## **Balance of Payments**

Developments in the balance of payments during 1993 were characterised by a significant rise in foreign exchange reserves and supportive arrangements through the Paris Club. The gross international reserves of the Bank of Guyana grew from US\$ 191.1 million at end 1992 to US\$246.3 million at the end of 1993, the equivalent of approximately 4.5 months of merchandise imports and debt payments.

Export receipts grew by 7.0 percent to US\$408.5 million, mainly as a result of the rise in gold exports. Merchandise imports were US\$483.8 million, an increase of US\$41.1 million (9.3 percent) above the level in 1992. The increase in imports reflects, in part, the improved valuation methods and the administrative strengthening of the Customs and Excise Department. It was also due to the expanded public sector investment programme and increased flows of direct foreign investment. The merchandise trade deficit widened from US\$61.0 million in 1992 to US\$75.3 million in 1993. The net service deficit of US\$97.1 million was accounted for by higher interest payments of US\$101.7 million. However, with net transfers of US\$29.0 million, the current account deficit improved slightly to US\$143.4 million from US\$146.7 million, in 1992.

The capital account was US\$78.1 million, significantly lower than in the previous year, largely as a result of the foreign companies completing the major part of their investment programme. Arising out of supportive arrangements through the Paris Club and at the bilateral level, net capital outflows were reduced in 1993. The significant debt write-off and debt rescheduling operations, together with resource flows for balance of payments support, facilitated the increase in the net foreign assets of the Bank of Guyana. During 1993, balance of payments support amounted to US\$43.5 million and debt relief US\$44.6 million.



## **Performance of the Non-Financial Public Sector**

### **Central Government**

The fiscal position of the Central Government continued to strengthen in 1993 and was a reflection of the strenuous efforts made to broaden the tax base, improve administration and collections in the key revenue departments, and reduce extravagance and waste, while redirecting expenditures to the critical areas of rehabilitation and maintenance.

Current revenues rose to \$22,434 million, which was 5.5 percent above the 1993 budget estimates and 26.3 percent higher than collections in 1992. Even though the Inland Revenue Department's actual collections were \$8,153 million in 1993, or 25 percent better than 1992, that Department was unable to meet its target for the first time in recent years; falling short by 1.4 percent. This modest performance was due in part to a significant deviation of \$1,161 million or 24.2 percent between the budget and the actual outturn of the combined taxes on companies. This apart, the impact of the improved collections in almost all of the other categories of taxes of the Department, reduced considerably, the effect the lower company taxes would have had on total revenues.

Undoubtedly, the success story in 1993, in the area of tax collection, was the effort of the Customs and Excise Department (CED), buttressed by the Customs and Excise Department Operations Monitoring Unit (COMU). Together, they realised a record \$9,239 million, about 18.7 percent more-than-budgeted and 43.3 percent over 1992. This exceptional performance, which earned all the employees of CED an end of year monetary incentive, was partly attributable to the maintenance of the high growth rate in the economy and the imposition of a range of administrative measures designed to reduce evasion, improve the valuation of goods, and increase the efficiency of collections. The tremendous success of the measures implemented to date, in the face of chronic shortages of equipment, vehicles and skilled manpower in the Department, is indicative of the widespread evasion of taxes which pervades the economy.

The combined share of the two Departments, as a percentage of current revenues, increased from 73 in 1992 to 77.5 in 1993, and reflects the increased dependence of the Central Government on those Departments for a widening of the revenue base.

Other revenues in 1993 of \$5,042 million, increased by a mere 5 percent over those of 1992. Indeed, had it not been for the \$390 million in royalties paid by OMAI, the out-turn would have been 3.2 percent less than in 1992. It is clear that Government will have to devote greater attention to this area if the present trend of these revenues is to be reversed.

The Government was very successful in containing the growth of non-interest current expenditures. The nominal wage bill of the Central Government was 17.5 percent more than that recorded in 1992, reflecting the increases of 10 percent and 20 percent in wages and salaries in 1993. Additional benefits were also paid to certain categories of workers, including nurses, who received a substantial increase in uniform allowance, from \$900 to \$5,600, in 1993. This increase was made retroactive to January 1992. However, Mr. Speaker, the high vacancy rate still exists in the public service, attesting to our continuing inability to attract and retain staff on a wider scale than obtains at present.

Other Goods and Services of \$3,486 million in 1993 represented a 4.6 percent improvement over 1992. Greater attention was focussed on the maintenance of buildings and other infrastructure where over \$853 million (97.4 percent of the amount budgeted) was spent compared to \$648 million in 1992. Expenditures on operations also increased appreciably with those on materials, equipment and supplies rising in 1993 by about 55 percent more than the amount expended in 1992.

Transfers to the private and public sectors declined by about 14 percent in 1993 relative to 1992. This was mainly due to the sharp reduction in the Government's contribution to the Guyana Electricity Corporation's current operations, from \$1,231 million in 1992 to \$734 million in 1993. This saving of about \$500 million was just

sufficient to allow the Government to clear a backlog of payments' arrears to a wide array of international agencies, including several UN and Caribbean organisations.

As a result of the improved performance in revenues and the curtailment of expenditures, the current primary balance, which is an indicator of the Government's ability to finance its interest costs, increased by \$4,875 million (79.6 percent) over the 1992 figure to reach \$10,946 million in 1993. The fall in domestic interest payments, due to declining nominal interest rates, has been largely responsible for interest payments decreasing from \$11,397 million in 1992 to \$9,792 million in 1993. As a consequence, the current balance, a measure of the extent to which the Government can meet its principal repayments and contribute to the financing of the capital programme, improved dramatically from a deficit of \$5,301 million in 1992 to a surplus of \$1,154 million in 1993, the first time in almost two decades.

Debt repayments in 1993 of \$6,740 million were substantially less than the \$8,143 million in 1992 and the \$10,153 million scheduled in 1993. This was due to a smaller net payback of debentures. As a result of these favourable movements, the overall deficit of the Central Government, which was projected to deteriorate by 7.9 percent over 1992, improved to \$11,560 million, 36 percent better than budgeted and 30.7 percent better than that recorded in 1992.

To finance the deficit in 1993, \$15,146 million was received from external sources. This comprised project grants (\$735 million); project loans (\$3,341 million); balance of payments support loans from multilateral agencies (\$2,205 million); debt relief (\$5,775 million); and disbursement from counterpart funds created from cash or the sale of commodities granted to the Government by bilateral donors (\$3,090 million). The large level of external financing gave the Government the leverage it needed to pursue its anti-inflationary monetary policy.



## **Public Corporations**

In 1993, there were 21 enterprises remaining in the non-financial public sector. Overall, these enterprises performed below expectations in the year under review, experiencing a shortfall in operating surplus of \$425 million or 12.7 percent compared to budgeted level. Relative to 1992, the consolidated operating surplus of \$2,900 million in 1993 represented an improvement of \$619.3 million or 27 percent.

The variance between the budget and the latest estimate was due to a small shortfall in revenues and an increase in expenditures. Revenues fell short of the target by \$13.3 million, while expenditures exceeded the budget by \$427 million. The overall cash deficit of the public enterprises was \$3,000 million, an improvement of 23 percent relative to the budgeted cash deficit of \$3,900 million.

The return on capital employed in 1993 was 10.5 percent, a reasonably good one when set against the 10 percent rule-of-thumb return criterion used for investment undertaken in high risk environments.

Transfers to the Treasury, in the form of Income Taxes, Dividends and Levies, totalled \$3,900 million, an improvement of 8.5 percent over the budgeted level of \$3,600 million. These transfers represented 10.5 percent of total operating revenues of the public enterprises.

Mr. Speaker, the changing environment and emphases in the economy have impacted negatively on the performance of the corporations. In particular, the productive enterprises are faced with competition from the private sector for which they are ill-prepared and ill-equipped. To address the problem, the corporations need to increase their capacity utilisation and modernise their facilities in order to improve their cost structures and productivity. Instead, they have been unnecessarily hampered by some of the requirements of the structural adjustment programme which often resulted in the corporations striving to improve their profits while sacrificing critical capital expenditure

and maintenance works. They were further constrained through the denial of greater access to the banking system for working capital requirements.

**Compounding their difficulties is the widespread evasion or avoidance of the payment of taxes in the private sector. This behaviour is largely responsible for that sector being able to compete unfairly, since it puts them in a better position to offer prices that are significantly below those of the public enterprises. In other words, the playing field is not level.**

Exports of the enterprises were also affected by low production and low capacity utilisation. An examination of the traditional export earners shows that Guysuco continued to be profitable only by virtue of the protected quota market in which it operates, unlike Linmine and Bermine which face severe competition in their export markets. Rice production and exports continue to be unpredictable because of a number of factors, not least of which have been inadequate husbandry practices and the varieties grown. Though the picture emerging for our traditional exporters is far from bleak, it is certainly not encouraging.

### **Public Sector Investment Programme**

Mr. Speaker, the 1993 Public Sector Investment Programme (PSIP) was the first to be presented by the PPP/Civic Government and reflected the Government's priority of rehabilitating the economic and social infrastructure. Attention was focussed on agriculture, infrastructure and social development which commanded 22 percent, 24 percent and 35 percent, respectively of the budget. An analysis of actual performance indicates that social investment fell short of the budgeted level because of the slow progress made in the implementation of the Health Care II Programme and the delayed execution of projects in Education and under the umbrella of SIMAP. Capital expenditure in the agricultural sector exceeded the 1993 budget projections, mainly as a consequence of increased investment in the sugar industry and the energy sector.

In the main, implementation bottlenecks were encountered in some of the foreign-funded projects. Those bottlenecks were generally associated with poor project design; harsh pre-conditionalities; slow rate of disbursement and other bureaucratic delays by some donors; ineffective donor cooperation and collaboration; and institutional weaknesses within Project Execution Units due to poor staffing and unattractive remuneration. Notwithstanding this, the overall implementation ratio of 81 percent in 1993 was substantially above the 60 percent achieved in 1992.

### **Private Sector Investment**

During 1993, efforts to attract private investment within the economy - both foreign and local continued apace. Forty-two applications were received for fiscal concessions. By the end of the year, thirty-seven had been awarded fiscal concessions. The estimated value of the approved projects amounted to approximately US\$37 million with a potential for creating about 1,769 jobs. As a result of the concessions granted, the Government will forego revenues of about \$1,600 million.

The projects embraced all sectors of the economy, notably agriculture, forestry, manufacturing, mining, and tourism development. In the agricultural sector, which accounted for 27 percent of the investment, there were three new projects, all engaged in the cultivation and milling of rice, with one of the three resulting in the establishment of a bulk shipping terminal at Trafalgar on the Essequibo Coast.

Four projects, with an investment value of US\$7.8 million, were started in the forestry sector. Three were associated with logging and sawmilling. Of these, one project constituted a newly established operation while the other three comprised expansion projects.

The bulk of the new investments was in the manufacturing sector where a record twenty-six projects, in such diverse areas as printing, production of paper products, PVC pipes, detergents and plastic bottles, paints, food and garments, jute, synthetic and polyethylene bags, agricultural spares, poultry feed, foam and foam sheets, pepper sauce,



meat, sausage and exotic pastries, luxury leather belt production, chocolate and chocolate products, coloured straws, electrical devices and plastic products, crockery, and pharmaceutical products, were approved. Ventures that were relatively new to the country included the manufacture of unbreakable crockery, production of straws, and chocolate and chocolate products. Notable, also, was the establishment of a new company to manufacture pharmaceutical products at competitive prices for the domestic market. Twenty-five of the projects can be classified as newly established operations and one, the production of paints, an expansion project. Total investment in the sector in 1993 was approximately US\$19 million.

In our on-going attempt to support the growth of tourism, three new projects, two of which constituted refurbishing of existing operations and one comprising the construction of a new hotel at Abary, were approved for fiscal concessions.

Meanwhile, a number of projects continue to benefit from fiscal concessions in the areas of agriculture, forestry, manufacturing, mining and tourism development.

With the intention of streamlining the arrangements for attracting more investments, GUYMIDA, which was established as a 'One Stop Agency' to facilitate the speedy resolution of enquiries and requests from prospective investors, but which failed to live up to expectations, was dissolved. It will be replaced by a new agency, GO - INVEST, which aims to fulfill the mandate given to its predecessor. Moreover, it is intended that this new investment promotion unit will significantly reduce the time taken to process applications.

## **Financial Developments**

### **Money and Credit**

Underlying the marked decrease in the rate of inflation achieved in 1993, was a significant slowing in the rate of monetary expansion. In nominal terms, money and quasi money expanded by 28 percent or less than half the rates of monetary growth in the

previous two years. This sharp decline was mainly accounted for by a slowdown in the growth of time and savings deposits, from 79 percent in 1992 to 31 percent in 1993. Demand deposits and currency in circulation expanded by 21 percent compared, with 29 percent in 1992. This monetary growth was derived predominantly from the strong improvement in the net foreign assets of the Bank of Guyana.

In contrast, total net domestic credit declined by over 40 percent, resulting from an exceptional decrease of over 200 percent in the banking system's net claims on the public sector. At end-1993, the public sector was a net creditor of the banking system, reversing the position in previous years. In particular, the Central Government's net liabilities to the banking system as a whole decreased by over \$7,000 million in 1993, on account of improved Central Government finances and higher financing from non-bank sources.

**The sharp reduction in the public sector's claim on resources of the banking system facilitated a rapid increase in credit to the private sector. Taking into account adjustments for debt write-offs, credit to the private sector expanded by over 70 percent in 1993. Moreover, the share of loans and advances to the private sector in the total assets of the commercial banks increased from 15 percent in 1992 to 23 percent in 1993.**

Despite declining interest rates, levels of liquidity continued to build up in the commercial banks. At end-1993, excess liquid assets (\$11,800 million) were 1.5 times the required level and virtually unchanged from end-1992. In order to reduce the risks to monetary stability posed by commercial bank liquidity held with the Bank of Guyana in the form of special deposits, the Bank pursued a strategy of converting those deposits into treasury bills. Through 1993, those deposits were decreased by \$7,500 million to less than \$1,000 million.

The liquidity overhang and reduced inflationary expectations contributed to declining interest rates over the year. The 3-month treasury bill rate, which is representative of market conditions and the point of departure for the movement in other rates, decreased to 15.4 percent by year-end, a fall of 7.5 percentage points. Interest rate spreads have

also narrowed - the spread between the weighted average lending rate and small savings rate decreased gradually from 13.2 percentage points, at end-1992, to 8.8 percentage points, at end-1993. Nonetheless, given the low reserve requirements of the banks, the Government remains concerned at the high spreads prevailing and believes the promotion of greater competition in the financial sector is essential for improving the efficiency of intermediation.

### **Financial Sector Reform**

Mr. Speaker, progress was made in several areas of financial sector reform and monetary management.

### **Banking Legislation and Competition**

The institutional framework of the financial sector will be substantially strengthened by the proposed Financial Institutions Act (FIA) when this becomes law. This legislation will centralise the responsibility for financial sector supervision and regulation at the Bank of Guyana and strengthen its regulatory powers. In addition, the proposed Financial Institutions Act extends coverage to all deposit-taking institutions, and includes new capital-adequacy requirements and limits on loan concentration that are consistent with CARICOM and international standards. The bill is expected to be debated in Parliament during the second quarter of this year.

Draft amendments to the Bank of Guyana Act which allow for clearly-defined objectives and strengthening of its monetary and prudential authority and instruments, are currently under review.

Increased competition in the financial sector is important in improving intermediation in terms of financial innovation, lowering spreads and promoting risk-taking. In order to expedite the acceptance of applications for new commercial bank licences, amendments were made to the Banking Act in June 1993 which raised the minimum capital



requirements for new banks. Currently, the Bank of Guyana is processing three such applications.

### **Treasury Bill Auctions**

Monetary management has continued to center on monthly treasury bill auctions to mop up the excess liquidity of the banking system. In 1993, the sale of bills required to achieve this objective was far in excess of Government's financing needs and the treasury bill stock increased to \$22,000 million. As a result, Central Government has built up large balances with the Bank of Guyana, but these remained sterilised. In order to reduce the liquidity of treasury bill holdings, longer maturities of treasury bills (6 and 12-month) were introduced in April 1993. Moreover, in recognition of the need for increasing the flexibility of its monetary instruments, the Bank of Guyana moved to fortnightly tenders from mid-January 1994. The Bank has also taken action to promote secondary market trading in treasury bills by way of increasing its rediscount penalties, and raising the margin between the 3-month treasury bill rate and that paid on commercial bank deposits held with the Bank of Guyana.

### **Call Exchange**

In the last budget, emphasis was placed on the need for a step-by-step approach to establishing a stock exchange. Consistent with this approach, a Call Exchange was established at the Bank of Guyana, in January 1994. The Exchange serves to disseminate information on the trading of company shares and other securities, including those of Government. Membership at present totals twelve, including banks, investment companies, and stockbrokers.

### **Foreign Exchange Market Developments**

A substantial deepening of the cambio market took place in 1993, as a result of the growth in trade, private capital inflows and transfers. The volume of sales increased by 24 percent to over US\$280 million, while purchases (or supply) in the market were

equally buoyant, expanding by 22 percent in 1993 over 1992. Overall, the nominal exchange rate remained relatively stable through the year.

With a view of achieving closer integration of the official and cambio markets, the Bank of Guyana initiated, in August 1993, a policy of foreign exchange transactions with the cambio market. Consistent with its target for gross international reserves, the Bank was able to supply US\$21.9 million to that market, during 1993.

### **Performance under the ESAF**

Mr. Speaker, Guyana is now at the end of the three-year Enhanced Structural Adjustment Facility (ESAF) which was first approved by the IMF Executive Board in July 1990, in an amount equivalent to about US\$115 million. Following satisfactory economic performance, the second and third annual arrangements were approved in October 1991 and December 1992, respectively. During 1993, the third year of the Programme, the Government continued with the adjustment and reform measures in a determined manner, resulting in all financial benchmarks agreed with the Fund being met. Indeed, some of them were exceeded by wide margins. All purchases under the three-year ESAF were made, the final instalment of US\$12.6 million being made after successful completion of a mid-term review in October 1993.

The IMF's Executive Board agreed to the extension and enlargement of the ESAF Trust in December 1993. Guyana's continued favourable economic performance has ensured its eligibility to benefit under the new Arrangement. Though we have grown appreciably over the last three years, the reality is that we are still at that stage of our recovery where we need the continued support of the International Financial Institutions. For example, our Paris Club arrangements are contingent upon us being in a Fund Programme. In addition, much of our donor support is premised on such a Programme being in place. Negotiations for a new programme with the International Monetary Fund are expected to begin shortly.

Meanwhile, the World Bank's Structural Adjustment Credit and the CDB's Economic Recovery Loan have been fully disbursed.

### CHAPTER 3

#### THE GOVERNMENT'S VISION OF THE DEVELOPMENT PROCESS

Mr. Speaker, the Government firmly believes that development is about people. This calls for programmes and policies that are people-centered, where all groups in society participate in the development process and share in its benefits. As a result, the Government is committed to the ideal of the progressive realisation of the capacities, abilities and talents of each individual in Guyana for the satisfaction and enhancement of the welfare of the society and environment. The focus of the Government, therefore, is to enhance the standard of living of individuals by expanding the opportunities for employment and self reliance through rapid economic growth. Particular emphasis is being placed on high levels of growth because Guyana is not only saddled with huge annual external debt obligations, but it also has to restore its infrastructure and expand its productive base before the true benefits from growth become apparent throughout the country.

The Government is committed to improving the existing productive base (sugar, rice and bauxite). However, in the medium term, Government expects to diversify this narrow economic base. In this regard, non-traditional production will be encouraged; the manufacturing sector will be expanded with emphasis on the utilisation of local raw materials. This will create new employment, sustain growth and generate foreign exchange. In addition, the Government is committed to restoring the physical infrastructure and providing the social services that are necessary for making investments in productive activities efficient. Improvements in these areas are not only essential for improving the well being of individuals but are also important for restoring the stability in the nation's fiscal and external balances.

Our developmental thrust, therefore, will embody the following key elements:

- **establishment, consolidation and strengthening of democratic processes;**



- **sustainable and accelerated economic growth;**
- **ensuring the benefits from economic growth reach the poor;**
- **improvement of the quality of life of the entire population; and**
- **protection of the environment.**

These fundamental elements will guide the general direction of our medium to long-term development programmes.

### **Strategy Orientation to Achieve the Vision**

The Government is cognisant of the difficulties it faces and the need to sustain and expand the pace of economic growth with social justice. We have obtained donor assistance to prepare an achievable programme and will be emphasizing sector strategies that reflect the realities of Guyana. A collaborative approach with the donors in the preparation of this programme is important for its realisation. Important elements of the Government's strategy are:

- **the consolidation of the macroeconomic incentive framework and promotion of private sector development in support of growth;**
- **the implementation of a programme of public sector reform that would define the future role to be played by the state in economic activities;**
- **the rehabilitation of the country's economic and social infrastructure;**

- **human resource development and the alleviation and reduction of poverty; and**
- **the search for maximum relief from the massive debt burden and the mobilization of external and domestic resources.**

**The programmes and policies to achieve these objectives are endorsed in the two state papers; Guyana: Government Policy Orientation and Guyana: The Government's Vision of Development, tabled in this House earlier.**

The government will continue its consultations with representatives of the private sector, the trade unions, the academic community, the other political parties and non-governmental organization (NGOs), in order to consolidate the democratic process and form a consensus on the policies and programmes required for development.

## CHAPTER 4

### CONFRONTING MAJOR ISSUES OF CONCERN TO THE POPULATION

#### Poverty and the Social Sector

The combined effects of gross mismanagement on the part of the previous Government and the Structural Adjustment Programme have led to a significant decline in the real incomes and standard of living of most Guyanese. Recent studies have estimated that approximately 70 percent of the population is now living below the poverty line. In addition, although poverty is apparent throughout the country, most of the poor live in rural areas and Amerindian Communities.

This Government, consistent with its working class and people-centered outlook, has begun to take bold steps to address the problems. During 1993, several new initiatives were undertaken to redress the plight of the poor. They included:

- the implementation of the CDB's Basic Needs Programme which enabled the completion of fourteen projects, including the rehabilitation of schools;
- the implementation of the EEC's Social Sector Programme that is providing support to projects in the education, health and pure water supply sectors;
- the implementation of the World Food Programme with its twin components of Food for Work and Institutional Feeding Assistance to the nation's nursery and primary school children, and the elderly;
- the intensification of economic and other forms of support to women (including female heads of households) through the Manpower and Recruitment Agency, National Relief Committee, National Insurance Scheme, and SIMAP;
- the abolition of the Means Test which resulted in Social Security Benefits being made available to all old-age pensioners; and



- the regularisation of squatting areas and the issuing of land titles.

In 1994, the Government will continue to support these initiatives and will develop a comprehensive programme to provide relief for the low-income group. This programme will encompass:

- short-to medium-term strategies that would result in the institution of permanent social welfare structures for the elderly, the unemployed and other individuals with incomes at or below the poverty line; and
- long-term strategies to deal with the alleviation of the conditions that have given rise to the chronic poverty situation in the country.

#### **Short- to medium-term strategies**

**Housing:** The vast majority of Guyanese, including the middle class, can neither afford to build nor to rent adequate houses. As a consequence, many of our citizens are forced to endure conditions of squalor as squatters and pavement- and even cemetery-dwellers. Mr. Speaker, the reality is that even if economic growth continues at the present pace, it would still not impact significantly upon wages by the year 2000. The cost to put in place the full level of infrastructural services, roads, light, and sewerage systems at an adequate level, can amount to as much as a low-income house.

Government is committed to the regularisation of 4000 squatting plots per year and will encourage national and international organizations to finance low interest mortgages for housing development. We will also provide greater access to mortgage financing. Incentives will be offered to institutions which supply houses to low income earners. The Central Housing and Planning Authority is being reorganised to fully carry out its functions in the areas of facilitation and regulation.

**The National Insurance Scheme:** Mr. Speaker, during 1994, the Government, with assistance from the UNDP and ILO, expects to complete a comprehensive review of the

National Insurance Scheme (NIS). The results of this review will provide the basis for formulating policies to improve the benefits currently enjoyed by employees and their dependents.

**Social Sector Programme:** The EEC Social Sector Programme is supporting interventions to offset the adverse impact of the structural adjustment programme. Accordingly, the projects are concentrated in the health, education and water and sanitation sectors. The programme distinguishes itself from other social programmes in several fundamental respects. First, it is quick-disbursing. It targets projects with immediate absorptive capacity, thus enabling all of the \$650 million to be disbursed in the current fiscal year. Second, a key focus is the improvement of the delivery of services to disadvantaged groups, in particular Amerindian communities in hinterland regions. Third, it is driven by a sharp concern for equity, not only in relation to beneficiaries, but also with respect to programme procurement, contracting and implementation.

**The Basic Needs Trust Fund:** The Basic Needs Trust Fund is financed by the Caribbean Development Bank and the Government of Guyana. In 1994, 40 projects are earmarked to be executed. During the first quarter of 1994, sixteen of them will come on stream. These include the rehabilitation of the Fort Canje Psychiatric Hospital, the rehabilitation of the Richard Ishmael Secondary School, and the construction of two wells - one at Ithaca and one at Straath Campbell - along with requisite infrastructure to supply the community with potable water. Later in the year, another five wells will be sunk across the country and three schools in Linden will be rehabilitated.

**SIMAP:** During 1994, SIMAP will be involved in executing projects and activities with an estimated total cost of \$766 million. These projects will include the construction/rehabilitation of health centres, day care centres, feeder roads, drainage, schools, community centres, markets, sanitary facilities, and potable water supply systems. SIMAP will also be involved in projects that will provide drugs, medical equipment and supplies to health centres, and either wage or food supplements to approximately 60,000 individuals.

**Amerindian Development Programme:** The Government also recognises that poverty is particularly prevalent in Amerindian communities. Therefore, during the year, it intends to embark on an intensive Amerindian Development Programme aimed at enhancing the socio-economic well-being of all Amerindians. SIMAP will be involved in the execution of ten (10) Amerindian development projects. In addition, several initiatives will be undertaken to assist Amerindian communities, including:

- re-introduction of air transport services to four additional areas, making it thirteen areas to benefit from such services since the present government took office;
- improvement of the North West District steamer service and re-introduction of a launch service from Moruca to Charity in order to provide cheaper and reliable transportation for residents, as well as produce from these communities;
- provision of better roads from Kumaka to Kwebana and Kamarang to Waramadong to facilitate the occupation of lands for crop production and rearing of livestock;
- re-introduction of saving schemes at hinterland Post Offices, using Kamarang as a pilot project. The long term objective is to encourage savings and other monetary transactions, the facilities for which are not now available to Amerindian communities;
- provision of technical and other forms of assistance to Amerindians to upgrade and intensify their craft activities;
- re-kindling self-help activities in Amerindian communities through the Food for Work Programme;
- installation of hand pumps (to be obtained from the Government of India) in each Amerindian village in order to reduce the incidence of water-borne disease and other effects caused by river contamination;
- installation of radio communication sets in outlying Amerindian villages to facilitate easy communication, especially in cases of emergency;



- upgrading hospitals and health centres in Amerindian communities to provide health services which are only available on the coast; and
- provision and upgrading of equipment in technical departments of schools to enhance skills' development.

**Women in Development:** Mr. Speaker, in 1994, we shall continue to pay special attention to the rights and well-being of children and women as an effective entry point to community development. In the past, much of our financial and administrative efforts have had to be directed at addressing the visible problems of the infrastructure. However, it is recognised that these efforts by themselves are not sufficient to move the nation forward, either economically or socially.

The few institutions which currently exist to promote this consciousness include the Social Impact Amelioration Programme, the Basic Needs Trust Fund and Women NGOs. These institutions will be asked to concentrate more of their efforts at improving household food security and promoting the empowerment of women, particularly in the depressed hinterland and rural areas. The data collection agencies will also be asked to ensure that they compile and make available information to analyse the status of women and children.

**Development of Youth:** The integration of marginal youth, particularly those from low-income areas, is a problem for most societies but is more pronounced in Guyana, where the Economic Recovery Programme (ERP) has increased its scope and depth. In particular, the estrangement of the urban youth is today very visible.

Quite apart from the general issues of providing more access to education, training and economic means, we have fulfilled our commitment to organise national youth consultations, to put in place a youth policy and a national youth council.

## **Long-term strategies**

The Government recognises that the ultimate solution to poverty depends on the structure and pace of growth in the economy. A rapidly-expanding economy is necessary for creating new and better jobs and incomes that provide individuals with the means to access adequate food, shelter and other social services necessary for a decent standard of living. Mr. Speaker, in addition to the policies and initiatives that will be introduced to generate sustained economic growth over the short- and medium-term, I should like to highlight elements of our long-term strategy to improve basic social services to low-income individuals.

**Housing:** The Government plans to increase its activities in the housing sector through the development of new housing areas and the regularising and upgrading of selected squatting areas. In this regard, the Government will be providing \$80 million to upgrade the social services associated with housing sites in squatting areas. In addition, Government is in the process of developing a scheme for some 5000 households in the Timehri/Soesdyke area.

The Government will provide incentives to the private sector to develop low-cost housing. It will also work along with other non-government organisations and community groups in an effort to ensure that the limited resources that are available are used effectively in the construction of low-cost houses.

**Health:** Guyana holds the unenviable position of having the highest infant, child and maternal mortality rates in the English-speaking Caribbean. This sector, like so many of the other social sectors, had been neglected in the past, resulting in severe deficiencies in its delivery systems and standards. In addition, severe shortages of personnel, drugs and equipment exist at hospitals.

This Government will identify the priorities in the sector and develop a medium-term policy framework that would aim at: (i) reducing the chronic shortage of basic pharmaceutical and medical supplies; (ii) improving management practices, especially

planning, monitoring and budgeting functions; (iii) strengthening the administration of preventative health care programmes; and (iv) increasing revenues collected from insurance and other schemes.

**Education:** Government's target in this sector is for all nursery, primary, secondary and special needs children to have access to quality education by the year 2000. In the pursuance of this goal, the Government will focus attention on:

- institution of in-service training programmes;
- substantially upgrading basic education;
- expanding technical vocational education and training;
- providing an adequate teaching/learning environment; and
- improving salaries and working conditions.

Government will institute cost recovery initiatives at the tertiary level. In this regard, beginning September 1994, students attending the University of Guyana will be required to pay tuition fees. **To ensure that no eligible student is denied access to the University on account of his/her economic status or background, the Government has budgeted \$500 million for a Student Loan Programme.**

**Pure Water Supply:** The deteriorating access to and supply of pure water is being addressed. In Georgetown, the Remedial Water and Sewerage system project has begun. Tender documents have been completed and the main rehabilitation programme will commence by the second quarter of 1994. Meanwhile, orders have been placed for sewerage pumps, essential spares and chemicals for the Georgetown system. In New Amsterdam, the water distribution system will be completed at an approximate cost of \$1,000 million.



**The Rural Water Supply Project will commence in June of 1994. When completed, this project will result in five interconnected integrated water systems.**

Government realises that given the level of social and economic dislocation that has taken place over the years, poverty reduction and alleviation in Guyana will be a herculean task. Government alone cannot solve this problem. Therefore, it will continue to solicit the active support of NGOs, the Private Sector and other interest groups, in its fight against poverty.

### **Wages, Salaries and Pensions**

Detailed implementation of grading and pay recommendations relating to the Public Administration Project, is expected to commence before the end of March 1994 and completed by April. The criteria adopted in the design of the new 14 Grade Salary Structure, within the financial resources available, were determined in consultation with the Guyana Public Service Union.

The existence of special terms on personal salaries and the system of allowances make it unlikely that the current phase of the salary enhancement project will satisfy the Government's objective of achieving a salary package which would attract and retain skills, while at the same time providing an acceptable minimum level of wages. The project, however, represents a first step in reallocating available financial resources to reflect the assessed level of responsibility of jobs in the Public Sector.

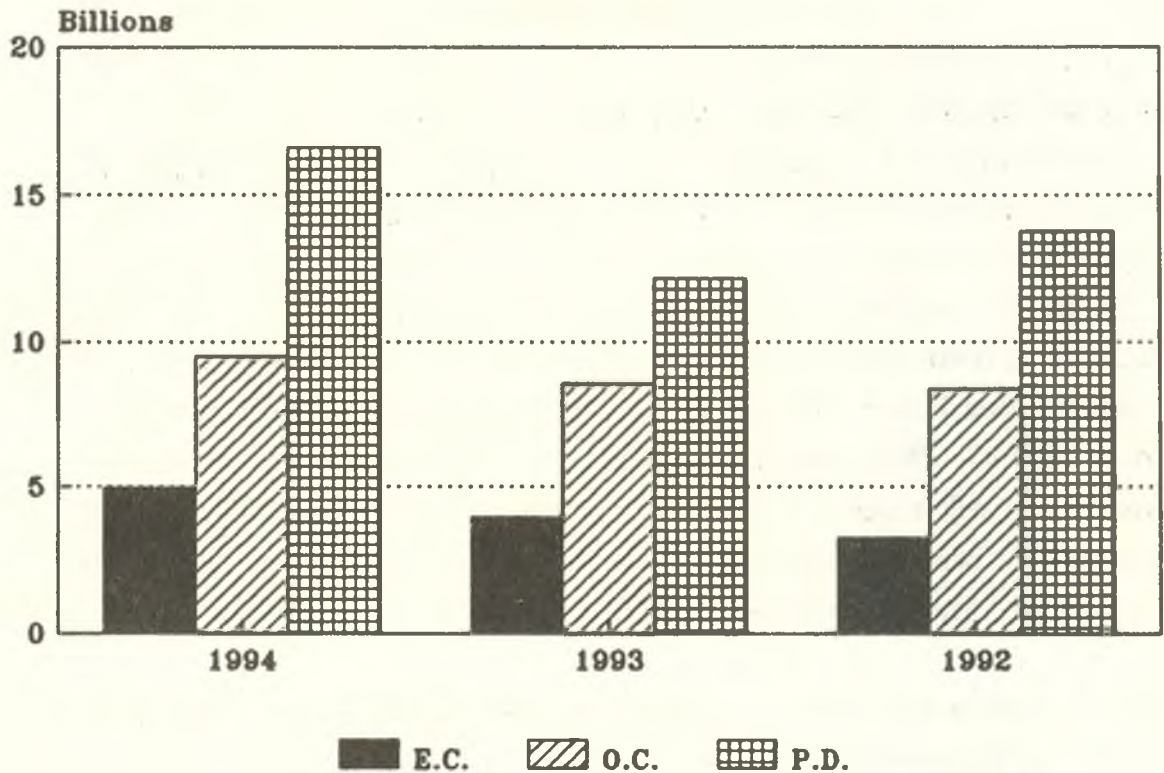
Detailed guidance on the assimilation of officers from their current grades and allowances into the new 14 Grade structure will disseminated as soon as possible. As far as practicable, assimilation for individuals will be effected in accordance with criteria designed to ensure that no officer suffers from reduced income on transfer to the new scale. Also, the procedure to be followed in registering and considering appeals against the decisions of the job evaluation panel has been developed. Consultation with the Guyana Public Service Union on this aspect has already commenced.

The Public Administration Project does not cover the entire Public Sector; only the Government Ministries and affiliated Departments, Constitutional Agencies, the Regional Administrations, NARI, the Statistical Bureau and the State Planning Secretariat. Last year, when interim salary increases were paid to Public Servants, similar increases were also extended to teachers, the GDF, other Government Agencies and pensioners. Now that the new salary structure has been agreed, and a review exercise completed, we believe that there is need for a further upward adjustment in salaries, especially of those categories of employees whose salaries continue to be relatively depressed, for instance, our teachers. Similarly, pensioners and recipients of Social Assistance will benefit from additional increases. A further 10 percent was granted in 1993. With effect from 1 April, 1994, old age pensioners will enjoy a 50 percent increase in their pensions, from \$446.60 to \$670.00; while recipients of social assistance will enjoy an increase of 100 percent which will result in a doubling of the current of \$224.40. Public service pensioners will benefit from increases in the traditional manner, that is the same level of increases granted to public service employees.

A sum of \$1,000 million has been provided in the Ministry of Finance budget to meet the increases in personal emoluments.

This Government is making every effort to ensure that our public servants are reasonably remunerated within the context of the resources we have available. In 1992, employment costs stood at \$3,288 million. They were increased to \$3,585 million in 1993, and are projected at \$4,967 million in 1994, an increase of over 50 percent above the 1992 level. At the same time, the share of employment costs in non interest current expenditure has been steadily growing, from 28 percent of expenditure in 1992 and 31 percent in 1993, to 34 percent in 1994. However, these increases have been kept within the limit of our ability to pay. Future increases in wages and salaries in the public sector must, unfortunately, face this constraint. In addition, they must be premised on improved productivity and effective delivery of services to the public.

## COMPARISON: YEARS BY CATEGORIES



**Figure 3** EC: Employment Cost; OC: Other Charges; PD: Public Debt.

### Guyana Electricity Corporation (GEC)

Mr. Speaker, even as I speak, the GEC is testing its brand new Wartsilla Units at Garden of Eden, with a view to having the additional 11 megawatts available for full distribution by March 18th. The new units represent a major investment by the Government in additional generation. With the help of IDB, restoration of the Kingston Plant is expected to generate 27 megawatts by the end of April. These two initiatives will help GEC to satisfy the peak demand of the Demerara Interconnected System. Notwithstanding these improvements, the GEC is pursuing the option of rehabilitating the "old" Garden of Eden Station through a joint venture arrangement with a British firm. When completed, this station will be in a position to generate additional power.



The Berbice System will soon benefit from an additional 5 megawatts from the Canefield Station. This will be sufficient to satisfy the immediate peak demands of that county.

The Essequibo stations continue to be of concern to us. The recent collapse of the Anna Regina station is indicative of the dilapidated state of the units. While spares have already been ordered, they would merely provide temporary relief. Active attention will be focussed on providing longer-term, reliable power in Essequibo.

The Government is cognisant of the fact that there can be no economic development without adequate and reliable generation, and will ensure that this is done. All of the additional power supply will allow for the meeting of requirements of an expanding economy, provide the necessary reserves, and permit the timely decommissioning of equipment for routine maintenance.

Finally, GEC remains committed to providing reliable and adequate supplies of power at rates that both cover operating costs and generate a reasonable return to capital employed.

### **Privatisation Programme**

Mr. Speaker, in my Budget speech last year, I alluded to the Government's commitment to a policy of Privatisation in which the private sector would play a leading role in the economy. As promised, the Privatisation Framework Paper was laid in the National Assembly in June and approved in July 1993.

This Paper reflects the commitment given in the Manifesto of the PPP/CIVIC Government to promote local businesses and develop an economy in which Guyanese entrepreneurs can play a significant role in expanding the economic base, while at the same time seeking to attract foreign capital and encouraging overseas Guyanese to return and invest in our country.

Our Manifesto went on to state that:

"The PPP/CIVIC Government will cultivate a genuine partnership with foreign investors from the Caribbean and further afield, who will be encouraged to invest in Guyana wherever possible in joint ventures with local businessmen and the State."

As a matter of national policy, this Government has adopted a Privatisation strategy which is being implemented in a streamlined and transparent manner.

This framework is in contrast to the practices of the past Government on the "divestment" of State-Owned Enterprises (SOEs) about which the Guyanese people and the international community, including the World Bank, have expressed grave concern with respect to transparency and accountability. For example, the 1993 World Bank Report on Private Sector Development in Guyana, contends that:

"specifically, the manner in which bids were selected had many deficiencies. There was no clear-cut process, and the procedures to publicise invitations for bids and their subsequent evaluation were not always consistent. Valuation of companies were also inconsistent, and in certain cases negotiations were held with only a single buyer."

This Government has set up the institutional framework to obviate such pitfalls. Granted, it may be time-consuming, but this is a smaller price to pay than compromising transparency and accountability.

The Privatisation Board, which was constituted under the provisions of the Privatisation Framework Paper, has so far held five meetings since its inauguration on October 22, 1993, and a list of twenty enterprises has been earmarked for privatisation. I have already announced that at least five entities would be privatised during 1994. These are the Guyana Sugar Corporation Dairy Complexes at Versailles and Liliendaal; Guyana National Engineering Corporation (GNEC); Guyana Stores Limited (GSL); Guyana

Glassworks Limited (GGL); and the Government-owned shares in the Guyana Bank for Trade and Industry (GBTI). It should also be noted that the Soap and Detergent Agreement of Purchase and Sale was concluded last year while Design and Graphics Limited had to be closed because of heavy losses and the threat of bankruptcy. The Government took over the liabilities and offered the employees the equipment at book value.

In the privatisation programme, various options are being critically examined to ensure that optimal benefits are derived for the economy, while at the same time guaranteeing the rights and expectations of potential local, regional and extra-regional investors.

In addition to the new thrust in privatisation, the Government will continue to monitor developments with respect to the SOEs which were previously divested in order to ensure that the agreed terms and conditions are observed and, more importantly, that there is continuity in the provision of goods and services and the enhancement of employment opportunities for Guyanese.

### External Debt

Mr Speaker, at end-1993, the total stock of external public debt was US\$2.1 billion which was broadly unchanged over the year. This debt stock was equivalent to five (5) times our GDP and 511 percent of total merchandise exports.

In 1993, foreign exchange cash payments for debt and oil by the Bank of Guyana accounted for 80 percent of the export proceeds. The fiscal implications are equally onerous. The Government's scheduled external debt payments were greater than one half of its current revenues, leaving insufficient resources for the accomplishment of the Government's far-reaching development agenda. Total debt relief received in 1993 was US\$44.6 million.

In terms of structure, our debt is almost entirely owed to official creditors. Figures for 1993 indicate that almost half of the total debt is due to multilateral creditors, a notable increase from the one-third share in 1989. The other half is owed to bilateral creditors



and dominated by the nearly US\$500 million due to Trinidad and Tobago. The multilateral agencies, however, account for a high and disproportionate share of actual debt servicing. In 1993, US\$50 million was paid to multilateral creditors, accounting for 69 percent of total cash debt service payments. As a result of successive rescheduling and the increasing proportion of multilateral debt, our debt profile has shifted to longer maturities at more concessional rates.

In May 1993, debt maturing between August 1993 and December 1994 was rescheduled under enhanced concessions through the Paris Club. This afforded debt relief of 50 percent of the obligations falling due in this period. An important agreement was also reached with Trinidad and Tobago, limiting cash debt-service payments to a maximum of US\$5 million to end-1994, and incorporating provisions for debt-equity exchanges. In addition, the Government of the United Kingdom wrote off US\$54 million in O.D.A. debt.

#### **Prospects for 1994**

Guyana's huge debt and debt service burden continues to be a binding constraint on economic development. Only through further generous debt relief and concessional assistance will we be able to achieve external viability and reorient our fiscal outlays to priority areas.

Total scheduled external debt service is projected to increase by US\$31 million during 1994. This increase is mainly attributable to a rise in debt service to the IMF by US\$15.6 million, and reflects the commencement of repayments of principal on resources previously obtained from the Fund on non-concessional terms.

The 1993 Paris Club agreement extends debt relief of US\$39 million between August 1993 and December 1994. Moreover, it provides for a review of the stock of debt within three years. While these efforts will have an important impact on medium-term prospects, further debt reduction or rescheduling will be required. The Government will vigorously pursue all options for further debt relief.

## CHAPTER 5

### ECONOMIC OUTLOOK FOR 1994

Mr. Speaker, Government has set the following specific macro-economic targets in 1994:

- **A real GDP growth rate of 8 percent;**
- **An inflation rate of 8 percent;**
- **A current account deficit of the balance of payments of 29.7 percent of GDP;**
- **An increase in the money supply of 10 percent;**
- **A fiscal primary current surplus of 23.5 percent of GDP; and**
- **An overall fiscal balance of 33.6 percent of GDP.**

#### **Gross Domestic Product**

The rapid economic growth of the last two years is expected to be sustained in 1994 and beyond. Real GDP in 1994 is projected at 8 percent and 6-7 percent over the 1995-1996 period. This projected high level of growth will result from the Government's continued support and implementation of policies, development strategies, programmes and reforms.

#### **Inflation**

Inflation during 1994 will continue to stabilise at about 8 percent. Continued competition for goods and services in the domestic market and the planned tight monetary policies that will restrain excess liquidity in the economy, will serve to bring down the prices of most food and other key items in the average consumer household budget.

Mr. Speaker, we do realise that the current measure of the rate of inflation by itself is inadequate for determining the extent of erosion in the standard of living. The results of the Living Standards Measurement Survey, which was conducted by the Bureau of Statistics in tandem with the Household Survey, are expected to be available during the second quarter, and will provide much needed statistics on poverty, migration, health, education and other social indicators.

Government's ability to effectively manage the economy and respond quickly to signals given by our major macroeconomic and social indicators will be substantially enhanced by the timeliness and quality of a definitely improving statistical data-base. I do expect that the data base so far garnered will be further supplemented by other major base-line surveys, followed by an ongoing programme of a continuous sample survey of our changing population.

### Balance of Payments

The implementation of the Government's economic and social programmes in 1994 will require financing of US\$61.4 million. This financing requirement has been assured by the international donor community at the last donors' meeting held here in Guyana earlier this year. Gross international reserves are expected to remain at the same level as at the end of 1993.

The deficit in the trade account in 1994 is budgeted to decline by 13.0 percent to US\$ 65.5 million. An export growth rate of 11.3 percent is projected to realise exports receipts of US\$454.5 million. Imports are expected to increase by 7.5 percent to US\$520.0 million to sustain the growth programme. The deficit on the services account is expected to improve by US\$10.7 million in 1994, mainly on account of higher non-factor services receipts, in particular from travel and communications. As a consequence, the current account deficit is projected to narrow by 15.7 percent to US\$120.9 million. In the final analysis, it is the effectiveness of our monetary and fiscal policies and the stability of the exchange rate which will ensure the strengthening of the balance of payments position.



## **Financial Sector Policies in 1994**

During 1994, the foremost objectives of financial policy will be to:

- build on the degree of price stability achieved in 1993;
- foster exchange rate stability;
- improve further the operation and monitoring of the cambio market. The Bank of Guyana's supervision capabilities will be considerably strengthened for this purpose;
- continue reducing Government's claims on the resources of the banking system and increase the share of credit available to the private sector;
- maintain positive real rates of interest and avoid excessive volatility in rates. However, these rates should be at levels supportive of sound investment in the productive sectors;
- introduce new legislation that will enhance the monetary control and prudential/supervisory authority of the Bank of Guyana;
- promote competition in the financial sector by thorough but expeditious assessment of new applications for bank licenses. The completion of the evaluation of existing applications is expected by April;
- lower the Government's participation in the financial sector through restructuring and privatisation. Government has already announced its intention to rationalise the operations of GAIBANK and GNCB and has established a committee for this purpose. Further, it is Government's intention to sell its remaining holdings in the Guyana Bank for Trade and Industry;
- formalise, further develop and deepen the operations of the Call Exchange as part of the overall goal of establishing a Stock Exchange in the medium term;
- examine the options for rationalising notes and coins in circulation. Inflation over the past decade has led to a marked reduction in the

purchasing power, and hence in the usage in transactions, of coins and small value notes; and

- **deal in a comprehensive and conclusive manner with the liabilities under External Payments Deposit Schemes. Various options are being examined. The implications for foreign exchange reserves and monetary stability as well as comparability with terms offered by Paris Club creditors will need to be considered fully.**

### **Monetary Management**

The Bank of Guyana will continue to adopt the tight monetary stance it pursued in 1993 in order to dampen domestic demand pressures. Moderation of domestic demand, and its reorientation towards investment, will be important for ensuring balance of payments viability and for easing pressure in the foreign exchange market. More specifically, the Government will be seeking to contain the growth of the broad money aggregate to 10 percent. Within this aggregate, the banking system's credit to the public sector is expected to decline further, albeit at a slower rate than in 1993. This should permit a further expansion in credit flows to the private sector. The monetary programme is compatible with both the inflation and growth targets.

Actions taken by the Bank of Guyana in 1993 to reduce the liquidity overhang have placed the Bank in a better position for managing monetary aggregates. The treasury bill tender will continue to be the primary instrument for this purpose. It is anticipated that the total stock of domestic public debt will be broadly unchanged in 1994. Nevertheless, sizeable debt sales will be required to sterilise the liquidity effects of treasury bills maturing from last year and those issued in the current fiscal year.

In addition, to support more active monetary control the Bank has moved to fortnightly treasury bill tenders and is prepared to further increase the frequency of its auctions as necessary. For reasons of flexibility and control, the Bank will, in the future, increasingly have to use open market operations to attain its monetary targets. This matter is currently under review within the context of the whole issue of the financial

relations between Government and the Bank of Guyana. Concomitantly, further efforts are being made to improve the Central Bank's monetary programming framework.

### **Foreign Exchange Market**

Despite the substantially higher flows into the market, which I referred to earlier, and the periodic auctions by the Bank of Guyana, the exchange rate weakened slightly. There appears to be distortionary and other unwelcome practices in the market that are contributing to this development. The extent to which overall exchange rate movements in the Cambio market are influenced by factors other than demand and supply is indeed a matter of grave concern. The Government is committed to eliminating those practices which hinder the free functioning of this market and which violate the spirit and intent of the law. Government is aware of the sources of some of these distortions and intends to take corrective measures to stabilise the exchange rate and promote the healthy development of the exchange market.

To a large degree, pressure in the foreign exchange market can be attributed to the liquidity overhang which exists in the economy and the evasion of taxes by the private sector, which I alluded to earlier. The fiscal measures, in particular the tax reforms that the Budget encompasses, as well as the complementary monetary policies, will facilitate the dampening of aggregate demand. However, in recognition of the insufficiency of these measures, the government will increase the cash reserve ratios of the commercial banks by 5 percentage points, from 9 percent to 14 percent for time liabilities, and from 11 percent to 16 percent for demand liabilities. These ratios have remained unchanged since 1991, and rank among the lowest in CARICOM. On the supply side, the Bank of Guyana will allow greater retention by Guysuco and the gold miners.

### **The Insurance Industry**

The Office of the Commissioner of Insurance will be upgraded to enable it to advise and assist the Ministry in the formulation of policy. The first priority will be to modernise the Insurance Act and introduce new legislation to provide the legal framework for the regulatory and policy making functions of the Ministry.



## CHAPTER 6 1994 BUDGET

### Central Government

Total expenditures in 1994 are budgeted at \$45,097 million as against \$30,313 million, an increase of 32.8 percent. Total revenues are \$43,360 million as against \$43,288 million in 1993. Mr. Speaker, in 1994, we will continue to consolidate the gains made so far in a number of areas, and strengthen and deepen our efforts in others. As a result of a set of measures, which I am about to announce, and which are designed to simplify and reduce customs rates and further improve the efficiency of the tax system, current revenues are projected to grow by 20.1 percent to reach \$26,941 million. This increase is premised on revenues from the Inland Revenue Department growing by 14.1 percent to attain \$9,300 million and those of the Customs and Excise Department increasing by 33 percent to reach \$12,282 million. Other Current Revenues are projected to rise by a modest 6.3 percent. This is despite a budgeted sharp reduction in the sugar levy, from \$3,152 million in 1993 to \$2,000 million in 1994.

Non-interest current expenditures are budgeted to grow by about 26 percent in 1994 to attain \$14,474 million. This is as a result of an anticipated increase in employment costs of 38.5 percent and a 20.3 percent growth in other charges. The increased employment costs are due partly to the annualisation of the 1993 increases in wages and salaries and the impact of the Public Administration Project. However, even with these large increases, the current primary balance is budgeted to improve to \$12,466 million or 13.9 percent more than the level achieved in 1993.

In my 1993 Budget presentation, I indicated that the Government would provide more resources to the social sectors, primarily health and education. Continuing in the vein of 1993, health and education will combine in securing \$4,039 million or 31.7 percent of the 1994 budget. This compares with 25.5 percent for 1993, or \$2,772 million. These allocations reinforce the priority treatment accorded to the social sector since my

**TABLE I**  
**FISCAL PROFILE**

G\$Million

<i>ITEM</i>	<i>% CHANGE OVER LATEST 1993</i>	<i>BUDGET 1994</i>	<i>LATEST ESTIMATES 1993</i>	<i>BUDGET 1993</i>	<i>ACTUAL 1992</i>
<b>1.0 CURRENT REVENUES</b>	20.1%	26,940.6	22,434.1	21,257.3	17,769.5
1.1 Inland Revenue	14.1%	9,300.0	8,152.9	8,266.2	6,518.8
1.2 Customs & Excise	32.9%	12,282.1	9,238.9	7,786.6	6,446.9
1.3 Sugar Levy	-36.6%	2,000.0	3,152.3	3,650.0	3,150.0
1.4 Other	77.7%	3,358.5	1,890.0	1,554.5	1,653.8
<b>2.0 CURRENT EXPENDITURES</b>	26.0%	14,474.2	11,488.1	12,515.9	11,673.4
2.1 Employment Costs	38.6%	4,967.2	3,585.1	3,963.7	3,287.8
2.2 Other Charges	20.3%	9,507.0	7,903.0	8,552.2	8,385.6
<b>3.0 INTEREST EXPENDITURE</b>	-1.2%	9,678.4	9,791.6	9,041.1	11,397.3
3.1 Domestic	-1.6%	3,935.5	3,997.7	3,683.4	5,262.1
3.2 External (Scheduled)	-0.9%	5,742.9	5,793.9	5,357.7	6,135.2
<b>5.0 CURRENT BALANCE</b>	141.5%	2,788.0	1,154.4	(299.7)	(5,301.2)
<b>5.0 CAPITAL REVENUE 1/</b>	161.8%	3,698.4	1,412.8	828.6	1,143.5
<b>6.0 CAPITAL EXPENDITURE</b>	81.5%	13,410.6	7,387.0	8,376.7	4,386.6
<b>7.0 DEBT REPAYMENT</b>	61.4%	10,876.6	6,740.0	10,152.9	8,143.1
7.1 Domestic	500.6%	1,522.0	253.4	304.9	783.6
7.2 External (Scheduled)	44.2%	9,354.7	6,486.6	9,848.0	7,359.5
<b>8.0 OVERALL BALANCE</b>	54.0%	(17,800.8)	(11,559.8)	(18,000.7)	(16,687.4)
<b>9.0 TOTAL FINANCING</b>	54.0%	17,800.8	11,559.8	18,000.7	16,687.4
9.1 Local	-164.9%	2,328.2	(3,585.8)	(532.1)	4,028.5
9.2 External	2.2%	15,472.7	15,145.6	18,532.8	12,658.9
<b>Total Financing as a % of GDP</b>	9.0%	33.6%	24.6%	39.4%	41.3%
<b>Scheduled Debt Service as a % of Current Revenues</b>	2.6%	76.3%	73.7%	90.3%	110.0%

Source: Ministry of Finance

1/ Excludes Project Grants, which are included in the External Financing item.

TABLE II

Analysis of Central Government Non-Interest Current Expenditures  
by Grouped Expenditure Head 1992-94

G\$Million

	Increase/Decrease 1993-1994		Increase/Decrease 1992-1994		1994 Budget	% of 1994 Budget	1993 Revised	% of Revised 1993	1992 Actual	% of 1992 Actual
	Nominal	%	Nominal	%						
President	324.1	25.9	147.8	10.4	1,575.0	12.4	1,250.9	11.5	1,427.1	13.0
Prime Minister	7.0	86.4	15.0	0.0	15.0	0.1	8.1	0.1	0.0	0.0
Parliament	13.9	29.5	18.7	44.1	61.1	0.5	47.2	0.4	42.4	0.4
Constitutional Agencies	51.2	59.1	59.7	76.6	137.7	1.1	86.6	0.8	78.0	0.7
Legal Affairs	54.6	79.9	66.6	118.2	123.0	1.0	68.4	0.6	56.4	0.5
Foreign Affairs	214.7	34.0	-186.4	-18.0	846.7	6.6	632.0	5.8	1,033.0	9.4
Home Affairs	342.6	38.7	398.1	48.0	1,227.3	9.6	884.7	8.2	829.1	7.6
Agriculture *	191.6	29.9	205.6	32.8	832.9	6.5	641.3	5.9	627.3	5.7
Health *	539.8	44.8	812.6	87.3	1,743.9	13.7	1,204.1	11.1	931.3	8.5
Education and Culture *	727.2	46.4	1142.2	99.1	2,295.0	18.0	1,567.8	14.4	1,152.9	10.5
Labour, Human Services and Social Security	86.5	35.3	166.0	100.4	331.2	2.6	244.7	2.3	165.3	1.5
Finance **	-923.5	-27.5	-1324.9	-35.2	2,439.0	19.2	3,362.5	31.0	3,763.9	34.3
Trade, Tourism & Industry	-35.9	-31.5	-85.2	-52.3	77.8	0.6	113.7	1.0	163.1	1.5
Physical & Regional Development	284.5	38.3	331.6	47.7	1,027.1	8.1	742.6	6.8	695.5	6.3
<b>TOTAL NON-INTEREST CURRENT EXPENDITURE **</b>	<b>1,878.4</b>	<b>17.3</b>	<b>1767.6</b>	<b>16.1</b>	<b>12,732.9</b>	<b>100.0</b>	<b>10,854.5</b>	<b>100.0</b>	<b>10,965.3</b>	<b>100.0</b>

\* includes Regional spending.

\*\* excludes payments to GREB arising as a result of the reimbursable rice levy (A)

(G\$708.556m in 1992, G\$400m in Budget 1993, G\$634m in Revised 1993, and G\$1741.302m in Budget 1994).

Source: Ministry of Finance



Government assumed office. They will in no way reduce the allocations towards the productive sectors, which have been adequately provided for under the capital expenditure programme. Even though the stock of domestic public debt is projected to grow marginally in 1994, a small decline in domestic interest costs of 1.6 percent which will be due to a fall in the interest rate is budgeted. Similarly, scheduled external interest payments are budgeted to decline slightly to \$5,743 million from \$5,794 million in 1993. These reductions will allow the current balance to strengthen further in 1994 to \$2,788 million or 142 percent of the latest estimate for 1993.

Capital revenues (net of external grants) are projected to grow appreciably to reach \$3,698 million. Two factors will be responsible for this growth: first, \$2,610 million from the defunct Export Development Fund previously managed by the Bank of Guyana has already been transferred to the Consolidated Fund; and second, income from divestment would more than double the 1993 amount. Capital expenditures and net lending are budgeted to rise to \$13,410 million or 85 percent more than that attained in 1993. More importantly, gross fixed capital formation of the Central Government is projected to grow by more than 150 percent.

The large increase in capital expenditures together with the substantial scheduled debt repayment of \$10,877 million in 1994 will absorb the gains in the current balance position and result in a larger overall deficit of \$17,801 million. This deficit will once again be largely financed from external sources in the amount of \$15,473 million. Of this amount, grants will be \$2,091 million; project loans, \$4,760 million; debt relief, \$6,922 million; and disbursement from counterpart funds, \$1,700 million. No account has been taken of any balance of payments inflows since the Government is just about to begin negotiations for a new ESAF programme. Net domestic borrowing by the Government is budgeted at \$806 million. This borrowing will be conducted within the confines of a prudent monetary policy; that is, the required funds will be raised by increasing the stock of treasury bills rather than drawing down government deposits.

## **Public Corporations**

The operating surplus of the public enterprises is projected to grow to \$3,768 million in 1994, a 32.6 percent increase, with revenues and expenditures expected to total \$39,357 million and \$35,589 million, respectively. This represents increases of 6 percent and 3.8 percent on the 1993 revenues and expenditures, respectively.

Capital expenditure is projected to fall to \$4,300 million while net inflows are expected to fall to \$1,200 million. These movements are expected to result in an overall cash balance of \$4,300 million.

## **The PSIP for 1994 - 1996: The Way Forward**

The 1994 - 1996 Public Sector Investment Programme will continue to upgrade social and physical infrastructure to support private sector economic activities. However, in terms of sustaining growth and fostering development, Government recognises the need to identify and pursue major production and export-oriented projects and programmes. Preliminary studies have already been commissioned for:

- the expansion of the MMA - ADA scheme into its second phase;
- the development of the Jacklow/Moleson Creek area;
- the resuscitation of the Del Conte Road Programme;
- the construction of a Deep Water "Container" port facility at Makouria;
- the West Canje Agricultural Project; and
- the development of industrial estates.

In terms of the 1994 PSIP, the Government will spend 25 percent more than it did in 1993 on drainage and irrigation. Special attention will be placed on the rehabilitation of drainage and irrigation systems in East Bank Essequibo area, Kamuni/Patosie, Canals Polder #1 and #2, Black Bush Polder agricultural scheme, Craig, Hope, Victoria, Buxton, Triumph, and Mahaica/Unity.

**TABLE III**

**STATE OWNED ENTERPRISES : SUMMARY FINANCIAL OPERATIONS**

G\$million

YEAR	REVENUE	EXPENDITURE	PROFIT
1993 LATEST ESTIMATE	37,118.95	34,227.54	2,891.41
1993 BUDGET	37,132.22	33,800.54	3,331.68
VARIANCE	(13.27)	427.00	(440.27)
1992 ACTUAL	37,031.81	34,745.24	2,286.56
VARIANCE	87.14	(517.70)	604.85
1994 BUDGET	39,357.35	35,589.29	3,768.06
VARIANCE	(2,238.40)	(1,361.75)	(876.65)

Source : Ministry of Finance



Expenditure on sea defence will increase from \$325.0 million in 1993 to \$995.0 million in 1994. The EEC component of the Sea Defence Programme has been launched while the CDB, IDB and IDA Programmes are well advanced. In the meanwhile, the Government will commit \$187 million of its resources on sealing known breaches in the sea defense system and will conduct a "condition survey" of the entire Coastal Zone to identify potential breaches.

### **Road Rehabilitation:**

With respect to the intensification of the rehabilitation of the major road network, the Essequibo Road Construction Programme is well on stream as is the road maintenance programme which upgrades the East Bank and West Bank Demerara roads and the Corentyne highway. This year also, the rehabilitation of the Georgetown/Timehri and the Georgetown/ Rosignol roads will commence. Negotiations with regards to the final designs for the rehabilitation of the Soesdyke/Linden Highway are progressing apace.

Farm to market roads in areas such as Wakenaam, Leguan, Cane Grove, Golden Grove/Nabaclis, Mon Repos, Mahaicony and De Hoop, Canals Polder #1 and #2, Salem/Hubu, Coglan Dam, Black Bush, Wisrock/Suribana, Mabaruma/Hosororo, and Kamarang/Waramadong, will commence in 1994.

Mr. Speaker, this year Government is moving aggressively on a major rehabilitation and expansion programme for the delivery of potable water to the urban, rural and hinterland areas.

In the health sector, Government will spend \$1,570 million or 80 percent more than in 1993 to rehabilitate and upgrade district hospitals, health centres and health posts throughout the country.

In the education sector, Government is programmed to spend \$1,088 million dollars or 132 percent more than the 1993 figure of \$468.2 million.

**Table IV**

**Projections for Major Central Government  
Component of the PSIP 1993/1994**

G\$Million

Components	Latest Estimates 1993	Budget 1994	% increase
Drainage & Irrigation	375.5	485.0	25
Sea Defence	325.0	995.0	206
Housing	24.0	100.00	317
Water	434.0	1042.3	140
Health	870.6	1570.6	80
Education	468.2	1088.2	132
Bridges	244.5	430.0	76
Roads	428.4	1604.4	275

**Strategic Intervention**

The Government, in recognition of the many constraints that prevented a higher execution ratio of the PSIP in 1993, has set in motion a number of initiatives aimed primarily at removing the bottlenecks. These initiatives include:

- adjusting the remuneration package for the Project Execution Units (PEUs) in order to attract and retain skilled and competent staff;

- **undertaking a complete operational audit of each PEU in order to identify and correct managerial/administrative weaknesses;**
- **fostering closer donor collaboration and cooperation;**
- **encouraging donors to adopt local designs utilising indigenous human and material resources;**
- **lobbying donors to exercise more flexibility in the setting and fulfillment of pre-conditionalities; and**
- **requesting donors to increase the authority of their field officer, where these exists, so as to facilitate speedy decision-making.**



**CHAPTER 7**  
**PROPOSALS AND MEASURES FOR 1994**

Mr. Speaker, in my 1993 Budget Speech, I stated that in the near future, the Government would review the current regime of Investment and Export Incentives and announce a comprehensive package of fiscal incentives designed to reflect its priorities. I also explained that the measures were intended to direct the flow of investment not only to priority sectors and sub-sectors, but also to areas of high unemployment and low infrastructural development. In addition, I mentioned that steps would soon be taken to ensure that the base for the levy of Consumption Taxes on locally manufactured goods was consistent with that used for the same levy on imported goods.

Mr. Speaker, as promised in my Budget speech last year, we have developed a programme for tax reform. These reforms are described in the State Paper entitled, "Policy for Tax Equity and Reform" which I have laid before the House today. This State Paper sets out in a detailed manner, the Government's reform programme and deals particularly with its rationale, policies, objectives, components, and implementation plan. We feel that this comprehensive approach to tax reform will considerably improve the tax structure by curtailing discretionary exemptions, simplifying tax rules, broadening the tax base, and lowering the rates.

The measures outlined below include, *inter alia*, Phase 1 of the implementation plan.

**Integration of Taxes on Investment Income and Capital Gains**

Effective from the year of assessment 1995, that is to say, year of income commencing on January 1, 1994, the following will obtain:

- (i) Dividends will be exempt from withholding tax, except dividends paid to non-resident persons;
- (ii) Dividends will be exempt from income tax;

- (iii) Preference dividends will be treated like ordinary dividends for taxation purposes; and
- (iv) Capital Gains on the disposal of shares held in public companies will be exempt from personal taxation, that is to say, both income tax and capital gains tax.

### **Corporation Tax Reform**

Effective from the year of assessment 1995, that is to say, year of income commencing on January 1, 1994, the following will obtain:

- (i) Tax holiday will be abolished. However, existing tax holidays will be allowed to expire; and
- (ii) A minimum tax based on gross sales or receipts will be introduced. The tax will be levied at a rate of 2 percent and applied to entities, except those in agriculture and tourism, with annual sales on receipts exceeding a threshold amount of G\$1.2 million, to ensure that micro-enterprises would not be negatively affected. This measure will ensure that businesses will no longer be able to operate year after year without paying anything in tax, by showing a continuing loss in their accounts. However, the minimum tax would be credited against corporation tax. Any excess minimum tax would be carried forward and adjusted against future corporation tax liability, so that unless the business carries forward losses indefinitely, tax over its life will fall only on profits. Further, carrying forward excess minimum tax will ensure that risky or growing companies are treated on the same basis as companies with stable incomes.

## **Indirect Tax Reforms**

- (1) The Government has already implemented the first phase of tariff rate reductions in the new Caricom Common External Tariff. The Customs Amendment Act No. 2 of 1994 was passed in the National Assembly on January 13, 1994, and assented to by the President on January 28, 1994. The following measures are to take effect as soon as practicable:
  - (ii) The Excise Tax is to be eliminated in favour of integration of the taxation of the relevant goods with the consumption tax;
  - (iii) The Consumption Tax Act would be amended to include broad categories of domestic and imported goods at a zero rate, a 10 percent rate and a 30 percent rate. Two special rates have been assigned for the differential treatment of petroleum and the so-called "sin" items, namely, a 50 percent rate and an 85 percent rate; and
  - (iv) The Purchase Tax is to be restructured and maintained in order to allow the Government flexibility to address overall tax rates on automobiles without having to modify the consumption tax schedule.

## **New Tax Regime for Mini-Buses**

In response to the need to provide adequate public transportation, Government had relaxed the application of Consumption Tax and Purchase Tax on mini-buses, in 1990. This policy facilitated the substantial importation of mini-buses for both public and private transportation. For instance, in 1993 the number of mini-buses registered was 1,985 compared to 601 in 1992, an increase of 230 percent. This level of importation has not only contributed to severe congestion on the roads, but has also utilised a significant amount of foreign exchange.



There has been public outcry by consumers and other organisations for the banning of further imports of these vehicles. The Government recognises the importance of mini-buses in providing public transportation and therefore is not in favour of placing quantitative restrictions on the importation of these vehicles. However, the Government will no longer remit Consumption Tax and Purchase Tax on mini-buses for private use and Consumption Tax on mini-buses used for public transportation. We will continue to remit the Purchase Tax on mini-buses used for public transportation. This policy will have the effect of increasing the effective rate for mini-buses for public use from 10 percent to 43 percent, while the effective rate for mini-buses for private use will increase from 10 percent to 85.9 percent. However, the policy does not affect buses with seating capacity in excess of 29 seats.

#### **New Tax Regime for Motor Vehicles Other than Buses**

As a result of the unification of the Consumption Tax, whereby all vehicles will pay Consumption Tax at a single rate, the Purchase Tax has been restructured to compensate for any revenue loss to the Government.

The new purchase tax rates will be as follows:

Under 1500 cc	5%
1500 cc under 2000 cc	30%
2000 cc under 3000 cc	70%
3000 cc and over	100%

For motor vehicles with rotary type engines the new purchase tax rates will read:

Under 750 cc	5%
750 cc under 1000 cc	30%
1000 cc under 1500 cc	70%
1500 cc and over	100%

These changes will have varying impacts, depending on the category of vehicle, and in some cases its use. For example, the effective rate for cars under 1500 cc for personal use, will decline slightly from 98.6 percent to 97.9 percent, while the effective rate for cars between 1500 cc and 1800 cc will decline from 163 percent to 145.1 percent. However, the effective rate for cars under 1800 cc for public use will increase from 83.4 percent to 97.9 percent, while those of over 1800 cc will have the effective rate increased from 139.4 percent to 145.1 percent.

- (2) In addition, the number of statutory exemptions identified as "class codes" are to be drastically curtailed in order to compensate for the resultant loss in revenues by spreading the tariff burden evenly across importers. Similarly, the one year renewable concession granted to certain companies exempting them from consumption tax and/or import duties will be allowed to expire.

## **Other Measures**

### **(1) Value or Rent-Free Quarters or Residence**

Gains or profits from any office or employment which are subject to Income Tax include the estimated value of any quarters or board or residence occupied by the taxpayer. The estimated value applied by the Commissioner of Inland Revenue is set out in the Income Tax (Valuation of Quarters or Residence) Regulation 1989. This regulation will now be amended to reflect the following current annual values as furnished by the Chief Valuation Officer.

Area of Quarters or Residence	Rates per month for unfurnished Quarters or Residence	Rates per month for furnished Quarters or Residence
Not exceeding 1000 sq ft	\$14.00 per sq ft	\$20.00 per sq ft
Exceeding 1000 sq ft but not exceeding 2000 sq ft	\$16.00 per sq ft	\$22.00 per sq ft
Exceeding 2000 sq ft but not exceeding 3000 sq ft	\$18.00 per sq ft	\$24.00 per sq ft
Exceeding 3000 sq ft	\$20.00 per sq ft	\$26.00 per sq ft

**(2) Deduction on Account of Corporation Tax From Payments Made to Non-Resident Contractors or Sub-Contractors by Persons Who Are Resident in Guyana or Carrying on Business in Guyana.**

The relevant Tax Act will be amended to provide for a deduction of 10 percent from the gross payment made to non-resident contractors or sub-contractors by persons engaging the services of such non-resident persons. The tax deducted will be credited against any corporation tax liability for the year in question. This measure is necessary to protect the revenue in cases where non-resident persons undertake short term contracts, normally under a year, cease business and remove from Guyana without complying with their tax obligation.



### **(3) Licences For Televisions, Dishes, and Transmitting Stations.**

Under paragraph 4 (2) the Guyana Frequency Management Unit Order No.79 of 1990, the Minister may, with the consent of the Unit and subject to such conditions as the Minister may specify, appoint the Unit as an agent of the Government for performing any functions relating to the granting of any licence or permission under any written law including the collection of any licence fees on behalf of the Government.

The Post Office Corporation will continue as agent of the Government for the collection of Television licence fees.

Licence Fees are to be charged and collected as follows:

(i)	Television (no change)	\$200
(ii)	TV Dish (personal use)	\$75,000
(iii)	TV Dish (commercial use)	\$300,000
(iv)	Transmitting Stations	\$1,000,000

## **Impact of Measures**

Mr. Speaker, as stated earlier, we have projected an increase in current revenues of 20.1 percent over the 1993 performance. Much reliance is being placed on increasing efficiency and effectiveness of both the Inland Revenue Department and the Customs and Excise Department in collecting the taxes and duties which should lawfully enter the Government coffers. The sharp reduction in duties and consumption taxes should reduce the incentive for tax evasion and corruption.

## **Institutional Support**

Mr. Speaker, it would be unwise to embark on a major tax reform programme without strengthening the administration and also providing the legal condition necessary for effective tax administration. Accordingly, my Government proposes to set up a Revenue Board and a separate Tax Court to support the functioning of the tax system. Obviously, we will consult with the workers' representatives and other interest groups.

## **Revenue Board**

The Revenue Board is expected to have three to five members, one of whom shall be appointed to be Chairman and will be authorised to coordinate the operations of all revenue collecting agencies and authorities of the Central Government, including the Inland Revenue Department and the Customs and Excise Department. It is expected that this will result in better exchange of revenue intelligence and information among the various revenue authorities with a view to preventing evasion of taxation.

Establishment of procedures for efficient collection of taxes and protection of Government revenue will be another function of the Revenue Board. These will include putting in place effective systems of inspection and internal audit of the revenue establishments. The Revenue Board will also be responsible for treaty negotiations, training and upgrading the skills of revenue officers.

## **Tax Court**

Section 79 of the Income Tax Act presently provides for the establishment of three or more Boards of Review. Any person aggrieved by the Commissioner's determination of an objection to an assessment, can appeal to one of the Boards of Review.

The Government is of the view that there should be a separate tax court, with wider jurisdiction and powers. This court should be empowered to deal with both prosecution and appeal cases for the Revenue Agencies.

## **Legislation**

Following consultations, the Government will table in Parliament legislation for the above purposes. It is expected that both the Revenue Board and the Tax Court should be operational effective from January 1, 1995.

## **Summary of Policies and Programmes**

Mr. Speaker, in addition to these tax reform measures, a number of policies and programmes will be introduced on a range of issues, including:

- Rehabilitation of roads, sea defence, water supply systems, schools, hospitals, drainage and irrigation systems, transportation facilities and electricity generation;
- Tax reform to enhance revenue collections and widen the narrow tax base;
- Improvement of wages and salaries in the public service, with particular reference to teachers;



- Introduction of a students' revolving loan scheme to facilitate university students, who are now required to pay fees;
- Development of new projects in the productive sector to facilitate the expansion of output and employment;
- Privatisation of five (5) entities;
- Alleviation of poverty and social sector reform;
- Monetary and exchange rate stability;
- Protection of the environment;
- Development of a housing programme;
- The involvement of Non-Government Organisations (NGOs) in social programmes;
- The strengthening of cultural institutions;
- Programmes for women and youth organisations; and
- Increase of old age pensions and Social Assistance payments.

## CONCLUSION

Mr. Speaker, Honourable Members, this Budget is a national Budget in content, assisting all classes and strata of our society. Our goal is to meet the basic human needs of our citizens. We hope to achieve these objectives through the cooperation of all, by empowering people in a truly representative and participatory democracy.

Despite the immense problems which confront us, not the least of which is the unbearable burden of debt we inherited, the country is making remarkable progress. Growth is averaging 8 percent per annum; foreign exchange reserves are increasing; exports are growing; inflation is under control; and wages and salaries continue to improve in real terms. Investment opportunities are growing and entrepreneurs are emerging - as GUYEXPO 94 showed only too vividly.

But our preoccupation must not be only with the economic and political, or even just the social. Our lives are improved by benefits less measurable in a material sense. Such benefits must flow out of our expansion and a deepening of the cultural and intellectual experience of our people throughout the country. And so I believe that the democratic dividend must also have a cultural and intellectual component. We can only succeed and flourish in the end as a people if this cultural and intellectual component grows as the body politic flourishes and the economy grows.

There is evidence already to be seen around us in the efflorescence of theatre and poetry readings, in the greater availability of books and magazines in the bookstores and in the growing number of libraries, in the significant increase in the publishing of books locally, and in the promotion of art symbolised in the founding of a national home for our collection in Castellani House - to give but a few examples.

That is why we once again recognised, in this Budget, the fundamental need to make a great effort to improve education. That is why we are sacrificing much else to make room for a major improvement in teachers' salaries and conditions of service.

**Mr Speaker, Guyana is on the move again, our ship has set sail under the guidance of her greatest son - His Excellency President Cheddi Jagan. The PPP/Civic Government has taken the helm and is in command of the ship of state, chartering the course towards growth and human development to benefit all Guyanese. This country belongs to each and every one of us. Its development is our responsibility - yours and mine. The task ahead is challenging - there are many rivers to cross and many mountains to climb before we reach our goal. As a people we have endured much suffering but harsh as that was, it has fortified our spirit and strengthened our resolve to make our country great again.**

**Let us remember our heroes and heroines, Cuffy, Accabre, Critchlow and Kowsillia, who dedicated their lives in the struggle for justice and freedom. Let us together build a new Guyana; one of Peace and Prosperity, true to our motto: One People, One Nation, One Destiny.**

**Mr Speaker, Honourable Members I beg to commend this Budget to the House and move the motion for the approval of the Estimates of Revenue and Expenditure for the Year 1994.**



## A P P E N D I C E S

## INDEX

I Real Output Performance in the Economy	69
II Guyana Consumer Price Indices	70
III Guyana Balance of Payments	71
IV Guyana Actual and Projected External Debt	72
V Analysis of Central Government Non-Interest Current Expenditures	73
VI State Owned Enterprises in 1993	74
VII Subset of Major Sector Investment Programme	75
VIII Selected Socio-Economic Indicators	78

## ANNEX I

### REAL OUTPUT PERFORMANCE IN THE ECONOMY (%) (1988 = 100)

Sector	1992	1993	93/92 Change	Projected 1994	94/93 Change
Sugar	145.1	144.8	(0.02)	149.2	3.0
Rice	129.6	159.5	23.1	169.1	6.0
Livestock	57.7	63.5	10.1	69.2	8.9
Other Agriculture	104.0	109.2	5.0	115.8	6.0
Fishing	89.6	92.7	3.5	96.4	4.0
Forestry	110.0	146.2	32.9	163.7	11.9
Mining & Quarrying	93.6	139.5	49.0	165.3	18.5
Manufacturing	88.5	92.1	4.1	96.7	5.0
Distribution	109.0	116.6	7.0	125.9	7.9
Transport and Communication	100.0	106.0	6.0	113.4	6.9
Engineering and Construction	104.0	107.6	3.5	134.5	25.0
Rent of Dwellings	102.0	102.0	0.0	108.1	5.9
Financial Services	110.4	115.9	5.0	122.9	6.0
Other Services	107.2	111.5	4.0	119.4	7.0
Government	94.1	94.1	0.0	96.0	2.0
<b>TOTAL</b>	<b>105.3</b>	<b>114.0</b>	<b>8.3</b>	<b>123.1</b>	<b>8.0</b>

Source : Statistical Bureau

## ANNEX II

### GUYANA CONSUMER PRICE INDICES 1990-1993

Category	Weight	1990	1991	1992	1993	% Change 93/92
Food	49.5	122.6	201.5	231.6	235.8	1.8
Alcohol Bev. & Tobacco	4.2	114.3	162.0	199.5	219.3	9.9
Housing	21.9	109.0	150.9	170.5	177.6	4.2
Clothing & Footwear	4.7	138.5	361.6	477.9	473.0	(1.0)
Transport & Communication	9.8	227.2	436.5	453.1	502.3	10.9
Medical & Personal Care	8.0	122.3	229.4	270.6	373.7	38.1
Miscellaneous	1.9	108.8	196.2	209.9	323.1	53.9
All Items	100.0	130.0	221.4	252.8	272.3	7.7

*Percent Change in Prices*

70.3

14.2

7.7

*Source : Statistical Bureau & Ministry of Finance*



ANNEA III  
**GUYANA BALANCE OF PAYMENTS**  
 ANALYTIC SUMMARY ( US\$ Millions )

		1992	1993	1994
		REVISED	ESTIMATES	BUDGET
<b>A</b>	<b>CURRENT ACCOUNT</b>	-146.7	-143.4	-120.9
<b>1</b>	<b>MERCHANDISE ( Net )</b>	-61.0	-75.3	-65.5
	<b>Exports ( f.o.b )</b>	381.7	408.5	454.5
	<i>Bauxite</i>	96.9	89.7	98.7
	<i>Sugar</i>	134.4	110.8	107.4
	<i>Rice</i>	35.0	33.0	36.4
	<i>Gold</i>	23.8	99.8	115.0
	<i>Other</i>	73.4	63.7	85.0
	<i>Re-exports</i>	18.2	11.5	12.0
	<b>Imports ( c.i.f )</b>	-442.7	-483.8	-520.0
	<i>Fuel &amp; Lubricants</i>	-78.9	-80.7	-84.6
	<i>Other</i>	-363.8	-403.1	-435.4
<b>2</b>	<b>SERVICES (Net)</b>	-115.7	-97.1	-86.4
	<i>Factor</i>	-110.4	-93.8	-86.1
	<i>Non-Factor</i>	-5.3	-3.3	-0.3
<b>3</b>	<b>TRANSFERS</b>	30.0	29.0	31.0
	<i>Official</i>	3.0	4.0	6.0
	<i>Private</i>	27.0	25.0	25.0
<b>B</b>	<b>CAPITAL ACCOUNT</b>	123.6	78.1	59.5
	<b>Non - Financial Public Sector Capital ( Net )</b>	-11.3	8.4	-10.2
	<i>Disbursements</i>	26.0	54.0	58.0
	<i>Amortization</i>	-47.3	-40.9	-58.0
	<i>Rescheduling</i>	0.0	-9.1	-14.0
	<i>Sale of Assets</i>	10.0	4.4	3.8
	<b>Private Capital</b>	130.9	9.7	-8.0
	<i>Direct Investment</i>	152.3	25.0	22.0
	<i>Other Investment</i>	-18.4	-21.7	-25.0
	<i>Net Foreign Assets of Commercial Banks</i>	-3.0	6.4	-5.0
	<i>Capital Flows n.i.e 1/.</i>	4.0	60.0	77.7
<b>C</b>	<b>ERRORS &amp; OMISSIONS</b>	-16.2	15.6	0.0
<b>D</b>	<b>OVERALL BALANCE</b>	-39.3	-49.7	-61.4
<b>E</b>	<b>FINANCING</b>	39.3	49.7	61.4
	<i>Bank of Guyana net foreign assets</i>	-35.1	-38.4	-16.5
	<i>Change in Public Sector Arrears 2/.</i>	-102.0	0.0	0.0
	<b>Exceptional Financing</b>	176.4	88.1	77.9
	<i>Debt Relief</i>	154.4	44.6	53.4
	<i>Balance of Payments Support</i>	22.0	43.5	24.5

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

1/ Includes leads and lags, and import financing for FDI enterprises.

2/ Includes arrears on non - financial public medium and long debt, and public sector commercial arrears

## ANNEX IV

### GUYANA – ACTUAL AND PROJECTED EXTERNAL DEBT, 1992–96

(US\$ MILLION)

<i>ITEM</i>	<i>Actual</i>	<i>Preliminary</i>	<i>Projections</i>		
	<i>1992</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>
<b><i>External Debt (Debt Outstanding and Disbursed)</i></b>					
1. Public and Publicly Guaranteed long-term Debt	1,667.0	1,690.0	1,758.0	1,745.0	1,716.0
<i>Official Creditors</i>	1,409.0	1,436.0	1,584.0	1,579.0	1,560.0
Multilateral	530.0	587.0	713.0	728.0	729.0
of which IBRD	31.0	27.0	24.0	20.0	17.0
of which IDA	136.0	163.0	193.0	211.0	225.0
Bilateral	879.0	849.0	871.0	851.0	831.0
<i>Private Creditors</i>	258.0	254.0	174.0	166.0	156.0
Suppliers	190.0	191.0	126.0	125.0	124.0
Financial Markets/Bonds	68.0	63.0	48.0	41.0	32.0
2. Total Long-Term Debt Outstanding and Disbursed	1,667.0	1,690.0	1,758.0	1,745.0	1,716.0
3. IMF Credit	168.0	180.0	154.0	130.0	105.0
4. Short-Term Debt	223.0	219.0	201.0	203.0	206.0
5. Total including IMF and Net short-term Debt	2,057.0	2,091.0	2,113.0	2,079.0	2,027.0

Source: Ministry of Finance

## ANNEX V

### Analysis of Central Government Non-Interest Current Expenditures by Grouped Expenditure Head 1992-94

G\$Million

	<i>% of 1994 Budget</i>	1994 Budget	<i>% of Revised 1993</i>	1993 Revised	<i>% of 1993 Budget</i>	1993 Budget	<i>% of 1992 Actual</i>	1992 Actual
President	12.4	1,575.0	11.5	1,250.9	10.9	1,320.4	13.0	1,427.1
Prime Minister	0.1	15.0	0.1	8.1	0.1	8.6	0.0	0.0
Parliament	0.5	61.1	0.4	47.2	0.5	57.7	0.4	42.4
Constitutional Agencies	1.1	137.7	0.8	86.6	0.9	103.9	0.7	78.0
Legal Affairs	1.0	123.0	0.6	68.4	0.7	80.2	0.5	56.4
Foreign Affairs	6.6	846.7	5.8	632.0	6.2	751.4	9.4	1,033.0
Home Affairs	9.6	1,227.3	8.2	884.7	8.2	996.8	7.6	829.1
Agriculture *	6.5	832.9	5.9	641.3	6.1	734.1	5.7	627.3
Health *	13.7	1,743.9	11.1	1,204.1	10.6	1,284.2	8.5	931.3
Education and Culture *	18.0	2,295.0	14.4	1,567.8	14.0	1,695.6	10.5	1,152.9
Labour, Human Services and Social Security	2.6	331.2	2.3	244.7	1.9	229.0	1.5	165.3
Finance **	19.2	2,439.0	31.0	3,362.5	32.4	3,931.1	34.3	3,763.9
Trade, Tourism & Industry	0.6	77.8	1.0	113.7	1.2	144.3	1.5	163.1
Physical & Regional Development *	8.1	1,027.1	6.8	742.6	6.4	778.5	6.3	695.5
<b>TOTAL NON-INTEREST CURRENT EXPENDITURE **</b>	<b>100.0</b>	<b>12,732.9</b>	<b>100.0</b>	<b>10,854.5</b>	<b>100.0</b>	<b>12,115.9</b>	<b>100.0</b>	<b>10,965.3</b>

\* includes Regional spending.

\*\* excludes payments to GREB arising as a result of the reimbursable rice levy (A)

(G\$708.556m in 1992, G\$400m in Budget 1993, G\$634m in Revised 1993, and G\$1741.302m in Budget 1994).



## ANNEX VI

### State Owned Enterprises in 1993

1. Linden Mining Enterprise
2. Berbice Mining Enterprise
3. Guyana Sugar Corporation
4. Guyana National Newspaper Limited
5. Guyana Broadcasting Corporation
6. Guyana Rice Milling and Marketing Authority
7. Guyana Rice Export Board
8. National Padi and Rice Grading Centre
9. National Edible Oil Company
10. Guyana Fisheries Limited
11. Guyana Electricity Corporation
12. Guyana Airways Corporation
13. Guyana Post Office Corporation
14. Guyana Stores Limited
15. Guyana Oil Company Limited
16. Guyana National Shipping Corporation
17. Guyana National Printers Limited
18. Guyana Pharmaceutical Corporation
19. Guyana Stockfeeds Limited
20. Guyana National Engineering Corporation
21. Sanata Textiles Limited



# ANNEX VII

## SUBSET OF MAJOR SECTOR INVESTMENT PROGRAMME

1984 - 1993

PROJECT/ PROGRAMME	EXECUTING AGENCY	EXPENDITURE G\$MN	OBJECTIVES
<b>A. AGRI FORESTRY &amp; FISHING</b>			
1. Sea & River Defence	Ministry of Agriculture	1,215.000	Rehabilitation of Sea and River Defences.
2. MMA Irrigation Project Phase II	Ministry of Agriculture	668.000	Provision of Water Control, Drainage and Irrigation for 37,000 acres.
3. East Bank Essequibo Development Project	Region No. 3	443.390	Rehabilitation of existing D&I Facilities between Vreed-en-Hoop and Salem, Research and extension and distribution of farm inputs.
4. Black Bush Irrigation	Ministry of Agriculture	357.600	Rehabilitation of D&I, Canal and Mibicuri Pump Station.
5. D&I Rehabilitation Project	Ministry of Agriculture	196.830	Rehabilitation of D&I at Buxton/Friendship, Vreed-en-Hoop La Jalousie.
6. Industrial Reactivation	GAIBANK	1,277.860	Rehabilitation of productive facilities in the Rice and Manufacturing Sectors.
7. Artisanal Fisheries Project	Ministry of Agriculture	259.829	Construction of wharves, boats ramps fish storage and ice making facilities, provision of equipment.
8. NARI	Ministry of Agriculture	386.470	Training, Research and establishment of tissue culture facilities.
9. Factory and Field Rehabilitation	GUYSUCO	7,856.360	Upgrading productive Capacity.
10. Agriculture Rehab. Project	Ministry of Agriculture	676.580	Procurement of inputs for the rice Industry.
<b>B. MINING &amp; QUARRYING</b>			
1. Guymine - Capital Works	Guymine/Linnine	5,649.740	Rehabilitation and purchase of equipment.

## ANNEX VII (cont'd)

### C. POWER

1. Power Stations and Management Systems Improvement	GEC	2,848.151	Rehabilitation of power stations. Implementation of Management Contract, and acquisition of power plant.
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### D. TRANSPORT & COMMUNICATIONS

1. Demerara Harbour Bridge	Ministry of Public Works, Communications & Regional Development	466.000	Construction and Maintenance of bridge across Demerara River.
2. Feeder Road Project	Ministry of Public Works, Communication & Regional Development	190.030	Construction and Rehabilitation of Feeder Roads
3. Mabura/Lethem Road	Ministry of Public Works, Communication & Regional Development	833.000	Construction of road link - Lethem/ Kurupukari.
4. Timehri Airport	Ministry of Public Works, Communication & Regional Development	262.000	Improved facilities at Timehri.
5. Black Bush/East Berbice	Ministry of Public Works, Communication & Regional Development	38.300	Rehabilitation of Roads.
6. Ferry, Cargo Vessels and Ships	Ministry of Public Works, Communication & Regional Development	215.000	Rehabilitation of ferry, cargo and vessels and ships.
7. Urban Road and Drains	Ministry of Public Works, Communication & Regional Development	70.000	Rehabilitation of roads and drains and urban areas.
8. Essequibo Coast Road	Ministry of Public Works, Communication & Regional Development	246,940	Reconstruction of Charity - Supernaam Road.

### E. MANUFACTURING

1. Textile Mill	Sanata Textiles Ltd	422.590	Rehabilitation and expansion of facilities.
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### F. SOCIAL SERVICES

1. Rural Health Centers	Ministry of Health	49.900	Construction & Rehabilitation of Rural Health Facilities.
2. Georgetown Hospital Health Care II	Ministry of Health	1,355.590	Improved Health Care Services.

## ANNEX VII (cont'd)

3. Nursery, Primary Secondary	Ministry of Education	65.560	Major Rehabilitation and works on school buildings.
4. President College	Ministry of Education	62.500	Construction of College.
5. Human Resources Development	Ministry of Education	755.174	Construction of new facilities. at UG; rehabilitation of GTI, NATI, GTC and Student Revolving Loan Fund.
6. Primary Education Improvement Programme	Ministry of Education	374.930	Construction & Rehabilitation of of Primary Schools, training and Curriculum Development.
7. SIMAP	Ministry of Labour, Human Services and Social Security	612.490	Rehabilitation & Construction of physical and social infrastructure.
8. BASIC NEEDS	Ministry of Finance	36.000	Rehabilitation of infrastructural facilities in Health and Education Sectors.
9. Urban and Rural Water Supply	GUYWA	421.600	Rehabilitation and expansion of rural water supply systems.
10. Georgetown Sewerage & Water Commission	GUYWA	141.640	Rehabilitation of Georgetown Water and Sewerage Systems.
11. Urban Rehabilitation	Ministry of Public Works, Communication & Regional Development	113.450	Urban Renewal Project Study
12. Development of Text Books	Ministry of Education	41.200	Preparation of Text Books.
13. Rural Water Study	Ministry of Public Works, Communication & Regional Development	67.700	Design of rural water supply Rehabilitation scheme and institutional strengthening of Guyana.
14. Master Plan Study	Ministry of Public Works, Communication & Regional Development	91.110	Preparation of a Master Plan for improvement in Georgetown water supply, sewerage disposal and storm drainage.
15. New Amsterdam Water Improvement	Ministry of Public Works Communication & Regional Development	320.000	Improvement of New Amsterdam water distribution system.
<b>G. ADMINISTRATION</b>			
1. IAST	Office of the President	145.700	Research and Development of agro-industrial products and alternative energy systems.
2. Police Stations	Ministry of Home Affairs	78.700	Rehabilitation of Police Stations and buildings.
3. Prison Buildings	Ministry of Home Affairs	64.600	Rehabilitation of Prison Buildings.

## ANNEX VIII

### *SELECTED SOCIO-ECONOMIC INDICATORS OF GUYANA*

#### SIZE AND POPULATION

Area 83,000 sq. miles (215,000 sq. Kilometers)

Population 1994 (755,937)

	1988	1989	1990	1991	1992	1993
<b>POPULATION CHARACTERISTICS</b>						
Urban population (percent of total)	32.5	32.0	32.1	32.1	32.2	31.1
Population density per square mile of agricultural land	121.2	121.0	120.0	120.1	120.2	120.2
Population age structure (percent)						
0 - 14 years	36.9	37.1	37.0	36.9	36.8	34.9
15 - 64 years	59.3	59.1	59.0	59.1	59.3	61.1
65 - and above	3.8	3.8	4.0	4.0	3.9	4.0
Crude Birth Rate (per thousand)	26.1	26.5	8.0	24.2	24.1	26.5
Crude Death Rate (per thousand)	8.0	7.9	26.0	6.2	7.0	6.7
Total Fertility Rate	2.8	2.6	3.1	2.8	2.8	2.9
Life Expectancy at Birth (yrs)	63.3	65.2	65.0	65.0	64.0	64.0
Infant Mortality Rate (per thousand)	30.3	39.0	32.3	43.0	34.9	34.9
<b>FOOD, HEALTH AND NUTRITION</b>						
Index of Food Production per Capita (1974 - 76 = 100)						
	93.8	89.7	89.0	89.0	90.1	90.1
Per Capita Supply of:						
Calories (percent of requirements)	87.0	77.0	70.0	83.0	83.2	83.2
Proteins (grams per day)	58.0	50.1	49.0	52.0	52.2	52.2
Population per Physician (thousand)	5.5	5.4	5.0	5.1	5.0	4.7
Population per Nurse (thousand)	0.3	1.8	1.8	1.7	1.7	2.0
Population per Hospital Bed (thousand)	4.5	4.5	5.0	5.0	4.8	4.1
Access to safe water (percent of population)						
TOTAL	83.0	83.0	85.0	85.0	84.2	84.2
URBAN	99.0	99.0	100.0	99.0	98.0	98.0
RURAL	76.1	76.0	77.0	78.0	78.2	78.2



## ANNEX VIII (cont'd)

### SELECTED SOCIO-ECONOMIC INDICATORS OF GUYANA

	1988	1989	1990	1991	1992	1993
<b>EMPLOYMENT AND LABOUR</b>						
Total Public Sector	70,394	66,928	65,167	65,090	63,689	66,689
(i) Central Government	24,493	22,034	19,280	18,123	17,062	21,067
(ii) Rest of Public Sector	45,901	44,894	45,887	46,967	46,627	45,622
<b>WORK STOPPAGES</b>						
(A) Total Strikes	349	138	329	307	258	475
(i) Sugar Industry	345	134	315	257	237	448
(ii) Bauxite Industry	1	2	1	0	1	2
(iii) Others	3	2	13	50	20	25
(B) Total Man - days Lost	232,595	686,356	N.A.	N.A.	N.A.	129,344
(i) Sugar Industry	231,089	594,339	229,291	110,871	126,059	126,344
(ii) Bauxite Industry	36	90,001	62	0	N.A.	N.A.
(iii) Others	1,470	2,016	N.A.	N.A.	688	3,000
(C) Total Man - days Lost per strike	1,196	50,444	N.A.	N.A.	N.A.	272
(i) Sugar Industry	670	4,435	728	431	532	282
(ii) Bauxite Industry	36	45,001	62	0	N.A.	N.A.
(iii) Others	490	1,008	N.A.	N.A.	34	120
(D) Amount of Wages / Salaries Lost (\$'000)	8,104	44,009	N.A.	N.A.	N.A.	N.A.
(i) Sugar Industry	8,066	37,369	16,856	21,510	114,439	N.A.
(ii) Bauxite Industry	1	6,568	N.A.	0	N.A.	N.A.
(iii) Others	37	72	N.A.	N.A.	165	4,688
<b>EDUCATION AND TRAINING</b>						
Students reaching Grade 6 or Standard 1V (percent)	80.2	80.0	82.0	80.0	82.2	88.0
<b>CONSUMPTION</b>						
Energy Consumption per capita (KG of oil equivalent)	382.2	385.4	386.0	386.7	387.2	388.0
Passenger car (per thousand population)	34.7	31.3	31.9	33.5	42.7	42.9
Newspaper Circulation (per thousand population)	78.3	38.2	39.3	42.4	46.4	47.0

Source: Ministry of Finance