

# Working Together

FOR AN IMPROVED STANDARD OF LIVING



**BUDGET 2000**

MARCH 27th, 2000

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## Introduction

1.1 Mr Speaker, I rise to move the motion for the approval of the Estimates of the Public Sector and the Budget for the Financial year 2000. In so doing, I wish to indicate that in concurrence with Article 171, paragraph 2 of the Constitution, the Cabinet has recommended that the National Assembly proceed upon this motion.

1.2 Mr Speaker, a little over two months ago, we bade goodbye to the second millennium. In the process of doing so, many of us took the opportunity to undertake some reflection and introspection on the past - a past that was replete with struggles. The first, and, perhaps, the most enduring of these, was the struggle to free ourselves from the shackles of colonial subjugation and domination; next, came the struggle for Independence; and, finally, the struggle for democracy, and economic and social justice. It is a tribute to the resilience and the dogged determination of our people that at all stages of these struggles, victory was achieved in the face of overwhelming odds.

1.3 Since assuming office in 1992, the PPP/Civic Government has ensured that the development of our country, as outlined in our Manifesto, has been synchronised with the development of our people and the environment. After having inherited an economy that exhibited all the signs of prolonged decay and neglect, the Government immediately set about the arduous task of rebuilding the infrastructure and restoring hope to the people. Growth has returned and has been maintained in the context of a stabilised macroeconomic environment. A successful campaign for debt relief, coupled with a re-orientation of expenditure, has resulted in a dramatic increase in spending in the social sector. There has been visible improvement in the educational, health, housing, water and sanitation facilities in the urban, rural and hinterland areas. Thus, while the expanded national product has seen an increase in per capita income, the focus on the social sectors has witnessed a reduction in poverty. Our achievements, over the past seven years, have won praise from admirers and detractors, international institutions and bilateral organisations.

1.4 Mr Speaker, as we begin the third millennium, we are steadfast in our resolve to rapidly develop Guyana, and, in the process, make it a better, more prosperous, and more secure place for our people. We intend to create the environment that would catalyse development and position the country to grasp the opportunities inherent in the liberalisation that is taking place globally. Notwithstanding the trepidation and fear that the

Y2K bug might have engendered, I believe that our people have already begun to look forward to the prospects the new millennium brings.

1.5 But, Mr Speaker, the realisation of those prospects will remain illusory and the gains we have made so far will dissipate if the fractures and fissures in our society are not healed and closed quickly. This is why we have chosen the theme, *Working Together for an Improved Standard of Living*, for this budget. The theme highlights the fact that in today's world, in which Guyana must function and compete, it is imperative that we harness and harmonise all of our resources - human, physical and financial - in pursuit of the common good. It emphasises that co-operation, as opposed to confrontation, is necessary if we are to achieve and maintain the desired levels of growth and development in our society. It also signifies a process that involves the continuous interaction of the various segments and strata of our society in the search for a better standard of living. If there is a burden on this generation, it must be that it has to work untiringly and unceasingly to build a united Guyana that would endure through succeeding generations.

1.6 Mr Speaker, continuing with my theme, this budget, like those of my predecessor, has benefited from dialogue and discussions, suggestions and recommendations tendered by various individuals, groups and organisations in the country. Many of the groups shared their concerns and offered ideas and strategies for tackling some of the problems bedeviling development of our country. This sharing of ideas has not only enriched the budget process, but it has served also to reinforce the commitment of the Guyanese people to the task of nation-building.

1.7 Mr Speaker, as I present my, and the PPP/Civic Government's, first budget for the millennium, as I review our progress in 1999 and elaborate on the policies and programmes for the year 2000, I ask that we re-dedicate ourselves to the pursuits and causes that can make Guyana a great nation.

## The Global Economy

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### **A. Developments in the World Economy in 1999**

2.1 Mr Speaker, in an increasingly globalised environment it is necessary to constantly track developments therein, since they affect our economy one way or the other. It is, therefore, pleasing to note that global economic growth increased by 3 percent in 1999, compared to about 2.5 percent in 1998. In spite of this, though, world trade growth of 3.7 percent was marginally higher than that recorded in 1998. These achievements were made in the context of low inflation (1.4 percent) and reduced unemployment. Global inflation was subdued in 1999, on account of lower consumer prices in the industrialised countries.

2.2 The growth was not evenly distributed across the regions of the world. Led by the United States and Canada, growth in the industrialised countries increased to 2.6 percent, from 2.2 percent in 1998. Following two consecutive years of contraction, the Japanese economy, which benefited from an expansion in public investment and growth in private demand, grew by 1.4 percent. As a group, the countries of the Organisation for Economic Cooperation and Development (OECD) grew by 2.8 percent.

2.3 It appears that the Asian financial crisis of 1997 - which was followed by those of Russia, Brazil and other parts of Latin America, in 1998 - has now abated, even though it has left these countries in a weakened and vulnerable state. However, many of the countries implemented strong macroeconomic measures and important structural reforms, and were able to restore growth. Recorded output in the Asian region averaged 4.5 percent, although unemployment levels remained high. On the other hand, economic growth in Latin America contracted by 0.6 percent, from 2.1 percent in 1998. The Asian financial crisis underscored the urgent need for strengthening of the architecture of the financial system. This will reduce the risk posed by institutional weaknesses and the volatility of capital flows, while facilitating access to capital markets by those countries that are yet to benefit from globalisation.

2.4 Taking advantage of the strengthening of the world economy, particularly those of their trading partners, Caribbean economies returned reasonable growth rates. Real GDP was positive for almost all countries, ranging from 6.9 percent in Trinidad and Tobago to about 1 percent in Dominica. This growth was fuelled by an increase in visitor arrival,

higher production of sugar and oil, and an expansion in public investment in the countries that were adversely affected by hurricanes.

2.5 Mr Speaker, while the expansion in world output and trade, in 1999, was very encouraging, many developing countries, with the notable exception of the oil-producing states, continued to experience both declining prices for their commodities and a deteriorating environment for capital flows. After weakening to below US\$11 per barrel in early 1999, oil prices recovered to US\$21 per barrel in August and ended the year at around US\$25.80 per barrel. On the other hand, gold prices fell further in 1999 to US\$283.50 per ounce, from US\$294 at the end of 1998; the average price for sugar sold in the European Union declined to US26.8 cents per pound; and the average price for rice plummeted to US\$249 per tonne, from US\$305 per tonne.

2.6 This trend of price decline was also evident in the bauxite market. This pernicious weakness of non-oil commodity prices has continued to constrain growth in Guyana, where over 90 percent of the commodities exported were in areas where prices declined relative to 1998. The consequential reduced earnings have negatively affected the pace of development and the delivery of vital services in the social sector.

## **B. Outlook for the World Economy in 2000**

2.7 Mr Speaker, the prospects for the world economy in 2000 will depend largely on the sustainability of growth in the United States, Europe, Japan and the South East Asian countries. The US economy has played an important role in the recovery of world output; however, this cannot continue without putting pressure on that country's inflation rate and external current account deficit. At the same time, though, if growth in the US economy were to weaken significantly, without offsets in Japan and Europe, there would be reason for concern about the recovery underway in Asia and Latin America.

2.8 When all of these factors are considered, world output is expected to expand by 3.5 percent, with growth in the industrialised countries declining to 2.5 percent and that for developing countries increasing to 4.8 percent. World trade is expected to grow to 6.2 percent, from 3.7 percent in 1999. Also, inflation in the industrialised countries is projected to rise to 1.8 percent, while for developing countries, it should fall by 0.9 percentage points to 5.8 percent.

2.9 Although the *World Economic Outlook* has predicted a decline in oil prices to US\$18 per barrel in 2000, the recent steep increase in oil prices has affected that prediction somewhat. In an oil-dependent economy such as Guyana's, this increase, in the face of falling export prices, will put added pressure on the balance of payments. In addition to adversely affecting the terms of trade, it would also raise local prices, with attendant consequences for the inflation rate.

2.10 Mr Speaker, the recent conclusion of a new trading arrangement between the African, Caribbean and Pacific (ACP) countries and the European Union has brought renewed hope about the benefits that can be derived from North-South cooperation. At the same time, however, the collapse of the World Trade Organisation (WTO) talks in Seattle, USA, last year, serves as a poignant reminder of the strong feelings of developing countries that the existing international trading arrangements do not adequately address their concerns and could lead to their further marginalisation. This, then, is the environment that has shaped the 2000 Budget.



## The Domestic Economy

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### **A. Introduction**

3.1 Mr Speaker, in last year's budget presentation, the then Minister of Finance highlighted the difficulties faced by the economy in 1998. He attributed them to the contagion effects of the Asian financial crisis, the unfavourable weather conditions that were occasioned by the El Nino weather phenomenon, and political instability which disrupted various facets of the society. Those developments caused the growth rate in that year to be negative, after five continuous years of positive growth. However, he did express optimism that the negative growth performance in 1998 was only temporary, and that the package of policies and measures which the Government proposed to implement in 1999, would stimulate growth and cause an immediate turnaround. I am pleased to inform this Honourable House that the confidence he showed in the resilience of the economy and the Guyanese people was not misplaced.

### **B. Real Sector Performance**

3.2 Mr Speaker, real Gross Domestic Product (GDP) expanded by 3.0 percent, compared to the target of 1.8 percent and the negative 1.3 percent recorded in 1998. This 4.3 percentage point turnaround in the economy was due mainly to the performance of the agricultural sector, particularly sugar and rice. Sugar production increased by 25.8 percent to 321,438 tonnes, the highest output by Guysuco since 1978. Among the factors that contributed to this performance were the improvement in yields, arising from favourable weather conditions; the introduction of new varieties; and the use of artificial ripeners.

3.3 In the rice sub-sector, total rice production for the year was 365,469 tonnes, or 7.6 percent more than in 1998. Most of the year's increase came from the second crop, where, as a result of better weather conditions - which allowed for the harvesting of a higher quality of paddy - the national average yield reached 25 bags per acre. However, because wet weather impeded land preparation and sowing for the second crop, lower-than-expected yields were returned. But this setback, while curtailing greater production, did not affect the achievement of the target.

3.4 After declining steeply in 1998, as a result of lower demand and prices, forestry output rebounded in 1999, to reach 498,400 cubic metres, or 12.9 percent more than in 1998.

3.5 In fishing, there was an observed fall in the declaration of prawns' catch, compared to 1998 level. The decline was, however, offset by increases in fish and small shrimp catches. This resulted in an overall modest growth of 1 percent in this sub sector.

3.6 In the area of other agriculture, livestock production increased sharply, in response to the Government's sustained efforts and support to the sub-sector. Poultry meat increased by 10.2 percent to 12.4 million kg, while egg production increased by 7 percent to 25.7 million.

3.7 Mr Speaker, falling gold prices and the mining of a lower grade of rock were mainly responsible for the 8.4 percent fall in output of the mining and quarrying sector. Largely as a result of an 11.8 percent decline in production by Omai Gold Mines Limited, gold declaration fell by 8.9 percent to 414,390 ounces. There was a slight increase of 4.1 percent in total bauxite production to 2,359,272 tonnes. However, the higher-valued calcined (RASC) and chemical grade bauxite (CGB) fell by 27 percent and 33 percent, respectively, compared to the 8.4 percent growth in metal grade bauxite (MAZ).

3.8 Through a combination of aggressive marketing techniques, greater processing capacity, and increased use of modern technology by firms in the sector, manufacturing made a strong recovery in 1999, growing by 6.8 percent. This was in spite of disruptions created by the Public Service strike during the second quarter of the year. Several commodities performed unexpectedly well and showed significant growth in output. These included stoves (24 percent); laundry soap (62 percent); stockfeed (22 percent); flour (8 percent); paints (53 percent); and margarine (11 percent). However, garment production declined by 1.5 percent, because of a contraction of external markets; while output of refrigerators fell by 71 percent, as a result of the main company going into receivership.

3.9 The engineering and construction sector registered a decline of 10 percent. This was partly attributed to a reduction in expenditure on the public sector investment programme by 10.1 percent.

3.10 In the services sector, the growth in financial services was 2 percent, the same percentage growth recorded in transport and communication. The former's growth was due to increased after tax profits of the commercial banks, while the latter's was as a result of increased telephone and telegraph traffic and increased international travel. On the other hand, land transport declined by 20 percent. In addition, while government increased by 1 percent, distribution services fell by 8 percent. "Other services" grew by 1.7 percent.

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

3.11 Mr Speaker, the merchandise trade deficit narrowed to US\$25.2 million, from US\$54.2 million in 1998, an outturn that reflects slower growth in imports. In spite of an increase in the volume of agricultural exports, earnings from merchandise exports declined by 4 percent to US\$525 million. Specifically, even though the volume of sugar exports increased by 19 percent, receipts increased by only 5.6 percent. This was as a result of a steep reduction in the average price, from US\$544.8 per tonne in 1998 to US\$483.5 per tonne in 1999.

3.12 A similar, though smaller, price decline was observed in the average export price of rice, from US\$293.5 per tonne in 1998 to US\$282.7 per tonne in 1999. This had the effect of reducing export earnings by 3 percent to US\$71.1 million, even though there was a slight increase in the volume exported. Declines in export earnings that were associated with lower prices were also recorded for bauxite and gold. In contrast, through a combination of higher prices and export volume, timber exports earned US\$37.3 million, or 20.3 percent more than in 1998.

3.13 Merchandise imports declined by 8.5 percent to US\$550.2 million, mainly on account of a 9.7 percent and a 16.7 percent reduction in consumer and capital goods, respectively. Net imports of services of US\$89 million was about the same as in 1998, while transfer payments of US\$39 million was US\$5 million less than last year. These developments resulted in a 24.7 percent improvement in the current account deficit, or from US\$98.5 million in 1998 to US\$75.2 million in 1999. After adjusting for a capital account surplus of US\$71.4 million, the overall balance of payments strengthened from a deficit of US\$22.7 million in 1998 to a deficit of US\$4.4 million in 1999.

## **D. Monetary Development and Prices**

### **1. Monetary Development**

3.14 Mr Speaker, during 1999, the monetary base declined by 4 percent in 1999, compared with an 11.8 percent growth in 1998. This outturn resulted from a 20 percent decline in the Central Bank's liabilities to the commercial banks, since there was an increase in currency in circulation. Net foreign assets, excluding the debt relief granted under the HIPC Initiative, increased by 75.3 percent, while net domestic assets declined by 54 percent.

3.15 Broad money expansion of 12.1 percent, in 1999, represented a faster rate of growth than the 6.8 percent in 1998. Narrow money grew by 21.1 percent. Both components of narrow money experienced stronger growth. Demand deposits grew by 25.7 percent, up from 4.7 percent in 1998, while currency with the public increased by 18.4 percent.

3.16 Whilst there was a slowdown in the growth of total net domestic credit, loans and advances to the private sector increased by 7.7 percent, to reach \$55.8 billion. The manufacturing sector continued to be the main beneficiary of banking system credit to the private sector, averaging 27.9 percent over the past three years. In 1999, credit to this sector grew by 17.2 percent. Mortgage loans grew by a massive 44.6 percent, to \$2.3 billion, reflecting the increased demand for housing loans, arising from Government's accelerated distribution of house lots. In contrast, credit to the agricultural sector contracted by 8.9 percent, because of the restructuring taking place in that sector.

3.17 Total net deposits of the public sector amounted to \$25.6 billion, an increase of 81 percent. Central Government's deposits - net of loans, advances and treasury bills - with the banking system, increased by 247.7 percent or \$15.7 billion. This was due to increased revenue collection, a reduction of capital expenditure, and inflows from the HIPC Initiative.

3.18 The gross international reserves fell short of the target by US\$20 million, because of the non-disbursement of an IDB loan. This loan has since been disbursed in January of this year. In spite of the shortfall, the reserves still represented 4.2 months of imports of goods and non-factor services, or about the same coverage as in 1998.

## 2. Prices

### a. Inflation Rate

3.19 Mr Speaker, the Government, through the implementation of prudent monetary and fiscal policies, was able to contain inflation to single digits. The inflation rate for 1999 was 8.6 percent, compared to the target of 5.5 percent and 4.6 percent in 1998. Among the factors which contributed to this outturn were the weakening of the Guyana dollar, the quarterly increases in electricity tariffs and the significant increases in fuel prices in the latter half of 1999. Two observations were noted. First, the rate of increase in the price level was not uniform throughout the year; there was slower growth in the second half of the year than in the first half. Second, unlike in previous years, the increases were centred on the non-food sub group. Thus, while movements in the food sub-group of the Consumer Price Index were marginal, it was items in the non-food subgroup that registered appreciable changes.

### b. Interest Rates

3.20 The 91 day treasury bill rate, which is the market benchmark rate, increased from 8.84 percent at the end of 1998 to 11.07 percent at the end of 1999. The weighted average lending rate declined by 21 basis points to 18.08 percent, while the annual average savings rate increased from 7.06 percent in 1998 to 8.12 percent in 1999. The weighted average time deposit rate was 9.52 percent.

3.21 Mr Speaker, the Government has expressed concern, repeatedly, about the high intermediation spreads of the commercial banks. We have implemented measures to facilitate a reduction. The latest of these was in February 1999, when the statutory reserve requirement rates applicable to all liabilities of deposit-taking financial institutions were lowered to 12 percent, from 14 percent, in the case of time liabilities, and 16 percent, in the case of demand liabilities. While this no doubt influenced the marginal decline in the spreads in 1999, the commercial banks must continue to explore avenues for further reduction, quickly, so as to stimulate private sector investment in the economy.

### c. Foreign Currency Market

3.22 Mr Speaker, in spite of higher export volumes, lower export prices resulted in a reduced supply of foreign currency to the market. On the import side, there was a marked increase in the price of fuel. These two developments, combined with the shallowness of the foreign currency market and speculative activities, were largely responsible for the

depreciation of the exchange rate by 9.8 percent. The Central Bank's timely intervention into the market helped to smooth fluctuations in the rate, which remained relatively stable over the last two quarters of the year.

3.23 The volume of foreign currency transactions increased relative to 1998. Purchases by the cambios rose by 9.3 percent, to US\$433 million, while sales grew by 6.2 percent, to US\$416 million.

d. Wage Rates

3.24 There were significant developments in the wages of public sector employees during 1999. Arising out of the Arbitration awards for teachers and public service employees, the wages of teachers were increased by 10 percent for Grades 1 to 5, and 12 percent for the other grades, retroactive to January 1999. As a result, the minimum wage for junior teachers and teaching aides increased to \$12,590, while the starting salary of an untrained graduate teacher increased to \$37,647. The salaries of traditional public servants were increased by 31.06 percent; in the process, the minimum wage increased from \$11,445 to \$15,000. The salaries of other categories of workers in the public service were increased by between 8.5 percent and 12 percent. Mr Speaker, these increases, which, in some cases, resulted in a higher wage rate in the public service when compared to similar jobs in the private sector, put pressure on wages in the private sector. By the end of the year, they were instituting measures to remain competitive both in the labour and goods markets.

**E. Review of Operations of the Non-Financial Public Sector**

1. Central Government

3.25 Mr Speaker, in spite of a 55-day strike in the Public Service in the second quarter of 1999, current revenue of the Central Government rebounded from its sharp decline in 1998 to surpass the target. Collections reached \$36.6 billion, 4.7 percent better than the budget of \$34.9 billion, and 10.5 percent more than in 1998. This noteworthy performance was due to several factors, including the more-than-projected increase in national output; the changes in the customs valuation rate in April and September; and a switch in the method of assessment of companies by the Inland Revenue Department. Collections by Inland Revenue increased by 13.2 percent to \$16 billion. Personal income taxes increased

by \$850 million to \$6.2 billion. Company taxes also improved, growing by \$795 million to \$6.3 billion.

3.26 Customs revenue collection of \$15.9 million, although 6.1 percent better than in 1998, was almost \$200 million short of the target. This encouraging performance was achieved in spite of the Public Service strike that affected the Department's ability to clear imports. The consequent build-up forced the diversion of goods to other countries. It may have also resulted in the indefinite postponement or cancellation of import orders.

3.27 The latest estimates for 1999 indicate that non-interest current expenditure was \$24.1 billion, an increase of 22.5 percent. The main contributory factor was the large increases in wages, salaries and allowances. Personal emoluments reached \$11.8 billion, representing a growth of \$2.7 billion over 1998 and \$2.2 billion over the budget. Of the latter amount, about \$1.6 billion was expended on the payment of increased wages and salaries to employees in the public service; \$500 million was used to meet increased allowances; while \$90 million was utilised in the payment of the key and critical supplement.

3.28 Expenditure on other goods and services was \$6.9 billion, while transfer payments were \$5.4 billion. The net effect of these developments was a decline in the current primary balance to \$12.5 billion, from the budgeted \$12.8 billion.

3.29 Both external and internal interest payments were less than budgeted. Scheduled external interest payment amounted to \$6.5 billion. Largely as a result of the relief extended under the HIPC Initiative, actual external interest paid was \$3.9 billion. Domestic interest amounted to \$3.6 billion, about \$200 million less than budgeted.

3.30 Capital expenditure and net lending declined by \$600 million, to \$12.3 billion. However, of that amount, \$1.1 billion was due to transfers to Linmine and MARDS. Total expenditure (net of principal repayment) was \$46.5 billion. The overall deficit before grants improved to \$9.9 billion, or 8.2 percent of GDP. Grants totaled \$6.6 billion, consisting of HIPC relief, \$4.0 billion; and project and non-project grants, \$2.6 billion. The overall deficit after grants was \$3.3 billion. This deficit was financed mainly through external inflows, which allowed for repayment to the banking system. This gave the private sector more room for borrowing, a policy that my Government has consistently promoted.

## 2. Public Enterprises

3.31 The receipts of the public enterprises and the NIS totaled \$50.0 billion, compared with \$50.2 billion in 1998. While increased production and exports of sugar and a weakened Guyana dollar boosted revenues of Guysuco, the bauxite and rice industries suffered from lower export prices and revenue.

3.32 Operating expenses increased by 3 percent to \$46.1 billion, reflecting mostly higher spending by Guysuco. However, the growth in expenditure was contained because of a \$2 billion dollar reduction in spending on goods and services. The higher expenditure and lower revenue resulted in a decline in the primary cash balance of the public enterprises to \$4.0 billion, from \$5.5 billion in 1998. Although capital expenditure of \$3.8 billion was 15 percent below the target, the overall surplus of \$132 million was considerably less than the \$2.0 billion achieved in 1998.

## 3. Non-Financial Public Sector

3.33 The developments in revenue and expenditure of the Central Government and the public enterprises resulted in a deterioration in the current surplus of the non-financial public sector, or from \$8.4 billion (7.8 percent of GDP) in 1998 to \$6.4 billion (5.3 percent of GDP) in 1999. However, the overall deficit after grants improved from 4.9 percent of GDP in 1998 to 2.6 percent of GDP in 1999.

## F. Public Sector Investment Programme

3.34 Mr Speaker, consistent with undertakings in the PPP/Civic Manifesto for the 1997 General and Regional Elections, the focus of the public sector investment programme (PSIP) has been oriented towards the rekindling of economic and social infrastructure; human resources development; poverty reduction; job creation; and economic diversification. Within this orientation, five priority themes have always been pursued.

3.35 **Priority No 1** is improving health care delivery and access. In 1999, the programme focused on improving the infrastructure in the health sector, installing and upgrading medical equipment, increasing the availability of medical supplies, and strengthening the Ministry of Health. Towards that end, the tuberculosis clinic and the maternity wing were completed, while considerable progress was made on the



construction of the pediatric ward at the Public Hospital Georgetown. At the same time, several regional and district health facilities were constructed or rehabilitated. These included: the construction of seventeen (17) health posts at hinterland locations such as Yurong, Peru, Rewa, Kaicumbay, Chinese Landing, Kamawatta, Yarakita, Kaiakia, Isseneru, Taruka, and Chiung Mouth; the rehabilitation of hospitals at Suddie, Skeldon, and New Amsterdam, and health centres at Strath Campbell, Lichfield and Mabaruma, to name a few areas.

3.36 **Priority No 2** is improving the delivery of, and access to, all forms of education. In this regard, efforts were concentrated on education software and hardware. Under "Education Software" teachers' and curricula guides were prepared and distributed; crucial text and library books, laboratory and teaching materials, equipment and furniture were procured; and one thousand nine hundred and forty seven (1,947) teachers benefited from various levels of training. Our goal to remove the deficiencies in the education system and to increase access to secondary education is being supported by two bilateral funded education projects - the Guyana Education Access Programme (GEAP) and the Guyana Building Equity Project (GBET). In 1993, only 35 percent of our children had access to secondary education. Today, it has increased to 53 percent.

3.37 In terms of the "Education Hardware" component, eighteen (18) nursery, thirty-seven (37) primary and five (5) secondary institutions were either constructed, reconstructed or rehabilitated country-wide. Nursery schools were constructed at Farm, Whitewater, Tuschen, Hydronie, Mon Repos, Canefield, Cottonfield and Tiperu, while the Belladrum Nursery School was extended. Construction, extension, or rehabilitation works were undertaken on primary schools in areas such as Manawarin, Waramuri, Baramita, Aurora, Kamana, Taruka, Kanapang, Karamat, Gordon Table, Golden Fleece, and Esau and Jacob. The West Demerara Secondary, Anna Regina Multilateral, Friendship Community High, Charity Secondary Annex, and Abrams Zuil Community High Schools, were completed. A new resource learning centre was completed at No. 48 Village, Corentyne, thus continuing our drive to carry such facilities to the people of rural and hinterland communities.

3.38 **Priority No 3** is the provision of a reliable supply of potable water and efficient sanitation facilities. In the water sector, the third phase of the New Amsterdam Water Supply Project commenced, and so far, seventy-one (71) kilometres of pipelines have been installed, while four thousand, seven hundred (4,700) service connectors and fifty-three

(53) hydrants have been installed, thereby making potable water accessible to over 30,000 residents. Another forty thousand (40,000) residents between Fryish and Whim Villages, on the Corentyne, are expected to benefit when the Rose Hall Water Distribution Project is completed. The contract for this project was awarded in the last quarter of 1999.

3.39 During the year, the Guyana Water Authority (GUYWA) installed over 435 kilometres of pipeline in Regions 2, 3, 4, 5, 6 and 7. These works were valued in excess of \$770 million and benefited communities between Mahaica/Timehri, Mara/Orealla and Vriesland/Bartica. Pilot boreholes and wells were drilled along the Essequibo Coast. Under the Major Rehabilitation Project, forty-seven (47) kilometres of pipeline were installed in Region 3. Also, the foundation for plant sites at Pouderoyen and Fellowship was laid. Hinterland communities also received improved potable water supply, through the upgrading of distribution systems at St. Francis Mission and Kamarang and the construction of a new pump station at Mabaruma. A solar pump system and storage tanks were installed at Siparuta and concrete tanks were constructed at Achiwuib, Karaudanawa and Annai.

3.40 **Priority No 4** is the provision of opportunities for our citizens to own decent and affordable homes. Mr Speaker, in 1999, the Government distributed nearly 6,500 house lots, which will eventually provide homes for about 29,500 persons. Infrastructural works to support this effort, including landscaping and leveling, cadastral surveys, building access roads, bridges, culverts and drainage networks, and installing potable water supply, continued at Tuschen, Diamond, Grove, Foulis, NARI Scheme, Mon Repos, Ankerville, Tain, Port Mourant, Albion North, and areas in Regions 1, 7 and 10.

3.41 **Priority No 5** is improvement and expansion of the economic infrastructure for accelerated growth. In 1999, a significant amount of resources was expended on the construction, rehabilitation and renovation of the extensive drainage and irrigation network. By the end of the year, thirty-two (32) kilometres of conservancy embankment, three hundred and twenty-four (324) kilometres of canals and drains, eighteen (18) sluices and two (2) irrigation regulators were rehabilitated, while fifteen (15) bridges and nine (9) culverts were constructed.

3.42 The Government undertook six hundred and sixty-eight (668) metres of permanent sea defence works in several high risk areas, such as Anna Regina, Henrietta, Aberdeen, Taymouth Manor and Devonshire Castle. In addition, temporary and emergency works

were executed in Regions 2, 3, 4, 5 and 6, including Aurora, Johanna Cecilia, the Islands of Wakenaam and Leguan, La Retraite, Parika, Annandale, Good Hope, Nos 3, 4, 5, 6 and 7 Villages, West Coast Berbice, Whim/Auchlyne and Letter Kenny.

3.43 Mr Speaker, during the last fiscal year, we continued to refurbish and rehabilitate our national highways and the vast network of community roads throughout the country. Construction works restarted on the Essequibo Coast Road, while resurfacing of the East Coast Highway (including the railway embankment) was substantially completed. Numerous community roads, including the Kurupukari/Lethem Road, Toka/Tiperu Road, Ankerville, Kamarang/Waramadong, and Paramakatoi/Maikwak Road, were rehabilitated. At the same time, nearly twenty-one (21) kilometres of farm-to-market access roads were constructed between Burma Rice Mill and Esau and Jacob, Hyde Park and Mora Point, and Nos 70 and 71 Sideline Dam extension, among others.

#### **G. Review of the 1999 Policy Framework**

3.44 Mr Speaker, as I intimated before, the economy's performance was due, in part, to the resolute pursuit of the objectives we set and the implementation of the policies and measures enunciated in the 1999 Budget. Our key objective was to restore growth in the context of a sound macroeconomic environment; improved social conditions, including poverty reduction; accelerated structural reforms; private sector expansion; and public sector modernisation. I have already dealt extensively with developments on the macroeconomic front, and programmes executed under the PSIP in support of social sector improvement and poverty reduction. I will now review the other areas.

##### **1. Structural Reforms**

3.45 Mr Speaker, the Government achieved much success with its privatisation programme. The Guyana Airways Corporation (GAC), the country's national airline which collapsed under the weight of its debts and poor management in the latter half of 1998, was privatised in a 51-49 percent joint venture between a consortium of local private sector businessmen and the Government. The privatisation of the Guyana Electricity Corporation (GEC) was completed on September 30, 1999, in a 50-50 percent joint venture arrangement between the Government and a foreign partner. The new company began operations the next day. In December, the Government concluded the privatisation of the Guyana Pharmaceutical Corporation (GPC) with the sale of 60 percent

of its shares. However, the sale of 70 percent of Guyana Stores (GSL) remained incomplete at end-1999, even though the preferred investor was selected and a deposit of 10 percent was made. The Government hopes to conclude this transaction in the second quarter.

3.46 Both the Linden Mining Company (Linmine) and the Berbice Mining Company (Bermine) were brought to the point of sale. Four well-known, international companies have been pre-qualified for each company. However, mergers and changes taking place in the metallurgical and refractory industries have hampered the process, leading to extended deadlines and limited interest in bidding at this time. Finally, in the absence of credible bids, a decision was taken, in consultation with the Union representing the workers, to scale down the operations of the Guyana National Printers Limited (GNPL). The Government is currently exploring options that would allow for the continuation of the printing aspect of the company.

3.47 Mr Speaker, progress was also recorded in the restructuring and reorganising of those enterprises that will remain in the public sector. Efforts at the Guyana Oil Company (Guyoil) were focused on strengthening the management structure, documenting credit policies, and putting in place a competitive pricing structure. In the case of the Guyana National Cooperative Bank (GNCB), the study that was undertaken by the international company currently managing the operations of the bank, was completed. The Government is examining the recommendations with a view to implementation in 2000. Guysuco has proceeded apace with the implementation of its Strategic Plan, which aims to significantly reduce unit cost of production and contribute to the economic growth and well-being of the nation and its people.

## 2. Public Sector Modernisation

3.48 The pace of modernisation of the public sector continued in 1999. The following were accomplished:

- The Public Hospital Georgetown (PHG) was removed from the ambit of the Ministry of Health and placed within the public corporations' structure. While the Ministry retains responsibility for overall health policy and establishing guidelines and regulations for operating in the sector, the new corporate structure of the PHG will allow it to provide the population with more efficient and effective health services.

- In an effort to better serve and facilitate potential investors, the Guyana Export Promotion Council (GEPC) was dissolved and its activities merged with those of Go-Invest.
- A Bill to make the Deeds Registry a semi autonomous entity was passed in 1999. Since then, the Inter-American Development Bank (IDB) has approved a technical assistance grant for US\$940,000 to assist in the financing of a two-year project to improve the legal framework; and to strengthen the Deeds Registry to help it to respond more effectively to the demands of its users.
- A Bill that paved the way for the removal of the Lands and Survey Department from the formal public service, and the creation of a new, semi autonomous institution, was passed in December 1999. The new entity, Guyana Lands Commission, will be responsible for the management of all state lands.
- A National Y2K Committee was launched in December 1998 and worked assiduously, during 1999, to ensure a trouble-free change over into 2000. With financial assistance from the World Bank, an overseas firm was contracted to assist in the preparation and implementation of a National Y2K Plan. Among the agencies that benefited was the Ministry of Finance, where a new Payroll System was installed in November. The Committee, along with the Guyana National Bureau of Standards (GNBS), has developed a set of standards and guidelines to govern the importation of computers, related accessories and equipment with embedded chips.

### 3. Debt Initiative

3.49 Mr Speaker, in May 1999, the Boards of the multilateral institutions met and approved Guyana's qualification for the HIPC Initiative. As a result, the country qualified for debt relief of about US\$256 million in net present value (NPV) terms, or US\$437 million over 20 years. Subsequently, Guyana met with its Paris Club creditors in June 1999, and successfully negotiated the "Lyons terms", which topped-up the reduction granted under "Naples terms" to 80 percent. In qualifying for HIPC assistance, Guyana, for the first time, became eligible for a reduction of its multilateral debt. Also, a debt buy-back operation that was financed by the World Bank and Switzerland, resulted in the reduction of the country's short term commercial arrears, from US\$54 million to US\$17 million.

## The Agenda for 2000

4

### **A. Overview**

4.1 Mr Speaker, the new millennium holds much promise for our country. In spite of the prevailing volatile international economic climate and the challenging domestic environment, the Government is committed to continuing with the policy initiatives we outlined in our Manifesto. We have set ourselves a very packed policy agenda, in 2000. The broad thrust of this agenda is to accelerate the pace of development in Guyana, through the maintenance of a viable macroeconomic framework; investing in the priority areas; and improving transparency in, and the efficiency of, the economy.

### **B Maintaining a Viable Macroeconomic Environment**

4.2 The maintenance of a viable macroeconomic stance has been the cornerstone of our economic management of the country. This position has seen, among other things, high and positive growth rates, single digit inflation rates, and sustainable balances of the balance of payments and the Government sector. However, as would be explained, shortly, these indicators are expected to deteriorate somewhat in 2000, because of the difficult external situation and the one-off expenditure associated with the holding of the next Elections, among others. In spite of this, large external capital inflows will reduce the Government's need for financing from the domestic banking system, thereby allowing the private sector to access a greater amount of credit.

### **C. Investing in the Priority Areas**

4.3 Mr Speaker, in the rebuilding exercise, the immediate task was to arrest the rapid decline in the physical, economic and human infrastructure of the country. This having been completed, we will now be devoting our energies to creating the infrastructure for accelerated growth and development; to build on the great strides we have made in the fields of health, education; water, and housing; and to mitigate the adverse conditions that cause poverty. In short, Mr Speaker, we view our task at the beginning of this new decade and century, as being one of expanding the scope and impact of public expenditure, in pursuit of development with a human face.

4.4 It is with this in mind that we have fashioned the PSIP for 2000. We propose to invest over 33 percent of the budgetary resources to be appropriated, to stimulate and energise growth in all the sectors of the economy. In doing so, we are laying the foundation and establishing the conditions to transform the economy from its traditional dependence on primary agricultural commodities, to one that is anchored on a truly manufacturing and industrial base, thriving on market policies and a vibrant private sector, and sustained by a healthy, well-educated and trained workforce.

4.5 Mr Speaker, the portfolio of public investment projects for 2000 envisages major construction, re-construction and rehabilitation in several key areas. The momentum of a number of the strategic initiatives that we have pursued in the last seven years will increase during the year. Five detailed proposals for the construction of the Berbice River Bridge have already been received and are being examined; feasibility studies for the development of a deep water harbour will be completed by end-2000; the Berbice campus of the University of Guyana will begin classes in October; the development of the Rupununi Savannahs, which would eventually create a Caribbean Corridor to Brazil, is proceeding; and the Linden Diversification Project will start this year.

4.6 **In Priority Area No 1, Health**, over \$4.7 billion has been allocated, compared to the \$3.6 billion expended in 1999. The focus of the expenditure will be shifted from heavy infrastructural works to rehabilitation and maintenance, operations, and human resources development. Hospitals at Bartica, West Demerara, New Amsterdam and Port Mourant are targeted for rehabilitation and upgrading. The substantial increase in the current allocation to this sector is to improve the adequacy and availability of drugs and supplies; continue the organisational and strategic reforms; and train and upgrade staff.

4.7 **In Priority Area No 2, Education**, it cannot be overly-emphasised that if economic and human development is to be accelerated, our education system will need to be modernised. This is exactly the intent of the \$1.3 billion increase in the budgetary allocation for the education sector, or from \$8.0 billion in 1999 to \$9.3 billion in 2000. The large increase in the current provision is mainly to increase teaching materials and supplies, equipment, furniture and other fittings; and undertake critical maintenance works.

4.8 In terms of the physical infrastructure in education, the Government will construct thirteen (13) new primary schools and thirteen (13) new nursery schools; and will upgrade

and rehabilitate forty-two (42) schools, including twelve (12) secondary schools. New primary schools are earmarked for Buxton, Beterverwagting, Golden Grove, No. 8, Orealla, Sheet Anchor, Eccles and Queenstown. New nursery schools will be built at Hague, Pouderoyen/Crane, Enmore/Hope, Cotton Tree, Alness, Karasabai, Yupukari, Yakarita, Shulinab, Coomacka and Three Friends. Secondary schools at Uitvlugt, Annandale, Belladrum, Tucville, L'Adventure, Fort Wellington, Vryman's Erven, Manchester, Mc Kenzie, Campbellville and Broad Street (Dolphin) are slated for rehabilitation. Also, in this year's budget, we have allocated resources to commence the reconstruction of Queen's College and the rehabilitation of President's College.

4.9 **In Priority Area No 3. Water and Sanitation.** three major integrated water systems will be completed and operationalised. They are located at Pouderoyen, Rose Hall and New Amsterdam. At the same time, we are looking towards the early commencement of construction and rehabilitation works on the Bartica, Eccles and LBI systems. Pipelaying and related works on smaller networks, in such locations as Yakusari, Williamsburg, Adventure and Melanie Damishana/Paradise, will continue. In the hinterland communities, installation of distribution systems at Siparuta and Kamarang; and the refurbishing of water storage tanks at Hosororo, Barabina, Wanaina, Morakabai, Achiwuib, Annai and Sarararu are all programmed for completion this year.

4.10 Mr Speaker, in Georgetown, the focus of our water and sanitation programme will be on replacing and refurbishing the dilapidated sewage disposal system. With the commencement of the second phase of the Georgetown Sewerage and Water Commissioners' (GS&WC) rehabilitation programme this year, all the sewage pumps and lift stations will be overhauled and/or replaced. Also, under the first phase of the Georgetown Solid Waste Disposal Programme, the life of the Mandela Avenue waste disposal site will be extended for another two years.

4.11 **In Priority Area No 4, Housing.** Mr Speaker, within the relatively short span of seven years, we have virtually revolutionised the housing sector. In one of the biggest housing drives ever witnessed in this country, we have opened new lands and distributed thousands of house lots in areas such as Georgetown, East and West Demerara, East Bank Essequibo, Essequibo Coast, and Regions 5, 6, 7, and 10. This year, we will prepare over 20,000 house lots for distribution. In addition to a US\$30 million loan to undertake a Low Income Settlement Project, we will be spending approximately \$1 billion to upgrade and regularise squatting communities; and develop new sites and services for expanded house



construction. Some of the areas that will be targeted are Lima Sands, Onderneeming, Zeelugt/Tuschen, Cornelia Ida, Par Fait/Harmony, Nos 75 to 77 Villages, Corentyne, Mon Repos, Non Pariel, Low Lands/Hope, Bath Settlement and Fortlands/Ordnance. We are also creating the incentives for increased mortgage lending. Very soon, through an amendment to its Act, the New Building Society (NBS) will be able to accept security, other than transport or certificate of title, while the amendment to the Income Tax Act will allow other financial institutions to operate in a similar environment to that of the NBS, when extending mortgages to borrowers. The Central Housing and Planning Authority (CH&PA) has already established a one-stop shop to accelerate the grant of titles.

4.12 **In Priority Area No 5, Economic Infrastructure**, even as we attempt to lay the basis for industrial development, we are cognisant of the important role that agriculture will continue to play in the country. Agriculture is integrally woven into the fabric of our society and economy. It is imperative, therefore, that this sector continue to attract the Government's support so that its potential can be exploited fully. With the weather being as unpredictable as it has been over the last several cropping seasons, it is absolutely vital that we build effective, secure sea defence and drainage and irrigation systems. In recognition of this imperative, the Government has allocated in excess of \$1.3 billion to reopen and clear clogged drainage and irrigation channels, and to construct or reconstruct derelict, damaged or worn sluices, kokers, regulators and other structures.

4.13 Significant drainage and irrigation works will be undertaken at Bellamy, Georgia, La Retraite, Rosilante, Cane Grove, Charity, and Pearl, Black Bush Polder, Letter Kenny, Bloomfield, Maria's Lodge, Buxton, Friendship, Supply, Golden Grove, Wash Clothes, Whim and Amelia's Ward. Sluices at Unity, Westbury and Parika will be repaired, and the irrigation pump at Mibicuri will be replaced. Substantial remedial and reconstruction works on the sea defences are programmed in areas such as Anna Regina, Henrietta, Reliance/Aberdeen, Devonshire Castle, Lusignan/Good Hope, Bush Lot, Turkeyen, Cornelia Ida, Bel-Air/Mon Choise, Trafalgar, Parika, Litchfield and Zeelandia.

4.14 In the transportation and communication sector, we will continue our efforts to modernise the Cheddi Jagan International Airport, Timehri (CJIAT). This includes a programme to repave the runway, install new approach lighting, the creation of a civil aviation authority, and such other improvements that are necessary to ensure that the operations of CJIAT are in compliance with the International Civil Aviation Organisation's standards. The programme in this sector, which will cost US\$30 million, will also address

private sector development of the Ogle Airport. We will refurbish our fleet of ferry vessels and rehabilitate several ferry stellings. In this regard, we will dock for repairs the MV Barima, MV Lady Northcote, MV Aruka, MV Torani, MV Makouria and MV Malali. In addition, stellings at Leguan, Georgetown, Bartica, Wakenaam, Adventure and Kumaka will be repaired.

4.15 Mr Speaker, the Essequibo Coast Road will be completed this year, in the process bringing relief and affording easy and comfortable transportation to thousands of residents and users of that vital carriageway. The extension of the Soesdyke/Linden Highway, which takes in Burnham Drive, in Linden, will be completed this year. We have commenced negotiations with our multilateral donors to rehabilitate the Mahaica to Rosignol Highway and to resurface the entire Corentyne Highway.

4.16 Even as we concentrate on the major road network, the Government is also conscious of the needs of the ordinary people in the villages and Neighbourhood Democratic Councils (NDCs). We have, therefore, allocated over \$700 million to rehabilitate deteriorated sections of the Mabura/Lethem road, critical sections of the Bartica/Issano/Mahdia and Black Bush Polder roads, and numerous urban and community roads, nationwide

4.17 Mr Speaker, resources have been provided to complete the Eccles Industrial Estate, even as we prepare to take industrial estates to Lethem, New Amsterdam and Belvedere on the Corentyne Coast.

4.18 Under the Government of Guyana/Urban Development Programme, which is expected to cost US\$24 million, the six municipalities in the country are targeted for major renewal. Several urban infrastructural rehabilitation projects and activities, representing the first year of Stage I of the project, are programmed to start this year. The following works in the following towns have been identified:

- In Georgetown, Norton Street, Robb Street, and the streets around the Stabroek Market area.
- In New Amsterdam, Pitt Street (East) and the drains East, North and South of Pitt Street, as well as the New Amsterdam Market.

- In Rose Hall, J C Chandisingh East Side Line Dam, Middle Street (North), the drains surrounding those streets and the Rose Hall Town Hall.
- In Corriverton, Main Street Rampor, Cemetery Road, their related drains, and the No. 79 Village Market.
- In Linden, residential roads in Canvas City, and the McKenzie and Wismar Markets.
- In Anna Regina, Mandir Street, Market Street, White Carib Street, refurbishing of the Town Hall and management of solid waste collection and disposal.

4.19 Mr Speaker, in addition to the projects and programmes that we plan to implement, we have also set aside \$235 million for poverty interventions during the year.

#### **D. Improving the Transparency and Efficiency of the Economy**

##### 1. Introduction

4.20 Mr Speaker, the planned developments that will be taking place this year and the medium term, will open up new vistas in our country and create thousands of jobs for our youths. But even with support from the donor community, the Government will not be able to finance all the projects and programmes by itself. It, therefore, would have to seek the active involvement of the private sector for the infusion of massive investment. To attract such capital, we will need to create the conditions for private investment to flourish and grow. This is what we have been attempting to do, through the introduction of far-reaching structural and regulatory reforms, the implementation of a dynamic privatisation programme, and improvement to the business environment. We will continue to work with the private sector, labour, and the rest of civil society to achieve our objectives.

##### 2. Policies to Support Job Creation and Growth

###### a. Improving the Business Climate

4.21 Mr Speaker, during last year, the Government held an historic business summit with the private sector. We have established a joint committee to implement the range of recommendations emanating from the meeting. Prominent among these are: the money laundering legislation, the establishment of the Revenue Authority, and the housing and

funding of the Tourism Authority. The private sector has already completed work on the establishment of a private sector development bank. When the Bill for the establishment of the Caribbean Investment Fund, which is currently before the National Assembly, is passed, an important window of financing would become available to the sector.

b. Promoting the Small Business Sector

4.22 Mr Speaker, the Government has repeatedly extolled the virtues of a vibrant microenterprise sector. The sector's importance derives from its potential for adding significant value added to the national product, boosting exports and creating employment. We will continue to create opportunities, and promote initiatives, for the growth of small businesses. While the Institute of Private Enterprise Development (IPED) will continue to play a leading role in the sector, disbursing over \$830 million to about six thousand, two hundred (6,200) borrowers, a new window of opportunity, which is aimed at helping disadvantaged young people to start businesses, was recently launched.

4.23 The Guyana Youth Business Trust, which was recently launched by the President and the Prince of Wales, was established to provide financing to unemployed and underemployed youths who may have a sound business idea, but who neither possess the means nor have access to resources. Initial funding for the Trust will come from the Government and the European Union. In an effort to catalyse the growth of the microenterprise sector and to ensure its orderly development, the Government will be tabling Small Business legislation during the year.

4.24 The Government will also be giving priority to increasing skills in the technical and vocational areas. The Social Impact Amelioration Programme (SIMAP) has already trained a number of persons and will be offering more training in these areas. We have increased allocations for technical/vocational programmes in the schools, the practical instruction centres, and the technical institutes throughout the country. Further, in keeping with its new mandate, the Guyana National Service will be focusing on skills training. In this regard, it will be offering two, six-month courses in areas such as catering, office procedures, refrigeration, electrical installation, joinery, tailoring and handicraft during the year. These training programmes will supplement those that are being undertaken in the private sector. The immediate objectives of these initiatives are to rebuild our capacity and capability in these areas, bring the disadvantaged and unemployed into the mainstream of economic activities, and, in the context of the expansion of private and public investment, and ensure that the skills are available during implementation.

c. Initiatives to Boost Tourism

4.25 Mr Speaker, the Government has long recognised the importance of the emerging tourism industry in Guyana. In addition to the incentives to the private sector, which have directly and indirectly impacted on the tourism industry, the Government, in 1995, instituted a special tax regime to encourage investment in the sector. During the year, the Government expects to complete the legislation governing the establishment and operation of the Tourism Hospitality Association of Guyana (THAG). Already a building to house the headquarters of THAG has been identified and funding from the European Union has been secured to renovate it. We have also set aside \$20 million in this budget to finance a part of THAG's activities.

4.26 In May 2000, Guyana will be hosting the Sustainable Tourism Conference, organised by the Caribbean Tourism Organisation (CTO). This five-day conference is expected to attract about 250 travel agents and tour operators from the Caribbean, North America and Europe, and would provide significant exposure for the country. We will also be attending Caribbean Week in New York, at the end of March, and the World Travel Market show in London, in November. In all of these endeavours, the clear objective will be to promote Guyana's fledgling tourism sector, especially eco-tourism.

3. Public Sector Reform

a. Expenditure Management

4.27 Mr Speaker, the PPP/Civic Government has always demonstrated its concerns over the plight of Guyanese workers, especially those within the public service, and has consistently improved the remuneration of public servants. Following the award of the Arbitration tribunal for the 11,240 public service employees, the Government increased their wages by 31.06 percent for 1999, and has always committed itself to honouring the award for year 2000. This decision was taken, in spite of the fact that the economy could not cope with such a hefty wage bill for the public service without dire consequences. However, through careful management the Government was able to neutralise any adverse effects these increases might have had on the economy. Thus, workers' real wages continue to be improved upon and there is now respectability of the wage rates in the public service, when compared to that of the private sector. In fact, at the current rate, some workers in the public service are enjoying a higher minimum wage than their counterparts in the private sector. When account is taken of the minimum wage of \$3,137 per month that obtained in 1992, the year 2000 minimum wage of \$19,000 would

represent an increase of over 500 percent. This should be seen as a dedicated and Herculean attempt by this administration to improve the wages of public servants. The consistency in the granting of wage increases has not been matched by the previous administration.

4.28 Mr Speaker, we have maintained these increases over the years without having to resort to the retrenchment of workers. However, the Government has recognised the need for an efficiently run public service and, in this regard, has been working on plans to modernise and reform it. We have already named a broad-based committee to assist in this process. Moreover, the World Bank and the IDB have agreed to assist in providing a lucrative financial package to those workers who are temporary or unqualified, and who are willing to be severed through a Voluntary Separation Programme. This package involves nearly thirteen months pay, based on year 2000 salary, for each worker. It will also have a special training grant so that the severed workers can pursue educational courses to improve their skills.

4.29 Under existing industrial relations' arrangements, these workers could have been severed by just one month's notice or one month's pay in lieu of notice. But the government is concerned about the welfare of workers and, for this reason, it has offered a package that is lucrative enough to compensate the worker for the time he or she is likely to qualify himself or herself and find alternative employment. It must be noted that this process was supported by the unions representing these categories of workers during the course of negotiations and in its presentation to the arbitration tribunal. The tribunal also found that there was need for the reform process to be accelerated and it took this issue into consideration when it arrived at its decision on the level of increases to be granted. In the words of the tribunal, "The Unions expressed unreserved commitment and support for Public Sector reform, retraining, and voluntary severance. They urged that we disregard the effects on the numbers employed of such reform. As presented to us, this commitment seems contingent on the award, which they and their members can live with. This we believe is an opportunity to take the nettle in hand, and seek to arrive at an enduring solution." (Armstrong Tribunal Report, p. 21, paragraph 6.1.1). It is, therefore, the Government's intention to vigorously pursue the process of reform in the public service, in order to bring about greater efficiency and a better delivery of service.

4.30 Mr Speaker, the first phase of the Guyana Economic Management Project (GEMP), which introduced programme budgeting to the Public Service, ended in June

1999. That three year project resulted in the strengthening of decision making in programme and financial management in the Government sector, and has ultimately led to increased efficiency and effectiveness of expenditure. The Government has secured additional financing from the Canadian International Development Agency (CIDA) to implement a second phase of this project. This stage will concentrate on activities to entrench programme budgeting in the Ministries, Departments and Regions, thereby improving its sustainability in the future. The World Bank and the IDB will be assisting the Government to improve the management and development of staff, improve baseline data and human resources management systems and procedures; and design of improvement plans for key public service agencies.

b. Improving Revenue Administration

(i) Guyana Revenue Authority

4.31 Almost four years after the passage of the Bill, the Guyana Revenue Authority (GRA) was finally established on January 27, 2000. The GRA will undoubtedly result in a strengthening of tax administration, improved revenue collection, and more effective service delivery.

(ii) Value Added Tax

4.32 In recognition of the threats posed to the tax base by regional and international trade arrangements, and in response to numerous representations from the private sector, the Government requested technical assistance from the International Monetary Fund (IMF) to undertake a comprehensive study of the tax system. In commissioning the study, the aim of the Government was not to increase the tax ratio in Guyana, which is already high, but to examine the present system - its strengths and weaknesses - and to explore the feasibility of substituting new taxes, including the value added tax (VAT), for existing ones. The objective is to make the system more equitable, flexible and responsive to shocks.

4.33 A final report of the study, which was conducted between August and September, 1999, has been submitted to the Government. The report recommends that steps be taken to counteract the potential threat to the tax base, represented by the consequences of regional and international trading arrangements. It advises that efforts be shifted away from international trade taxes to internal taxes on consumption and income in a manner that renders the tax system automatically more revenue productive, allocatively efficient

and administratively transparent in impact. The Government will be consulting with the stakeholders, during the year, to examine the applicability of the recommendations on VAT and the consumption tax to Guyana.

c. Tender and Procurement Reform

4.34 Mr Speaker, we are undertaking a major transformation of the tender and procurement system, in light of the rapid expansion in the capital and current programmes of the Government and the need for efficiency, transparency and accountability. The Government, with financial assistance from the IDB, has prepared a draft Procurement Bill that is currently engaging the attention of various interest groups. This process of consultation will be completed by the end of the second quarter of this year, after which, the Bill will be tabled in this House. The new Procurement Act will address issues such as standardisation of bidding documents and a centralised management for tendering.

d. Privatisation and Management of Government Assets

4.35 Mr Speaker, during 2000, we will continue our efforts to privatise Linmine, Bermine, Guyana Stores Limited, Guyana National Printers Limited and GNCB Trust. We will also be focusing more attention to improving the management and reporting of the remaining entities. In this regard, the Government will create a national asset register of all the properties and major assets owned or controlled by it. The operations of the holding company, National Industrial and Commercial Investment Limited (NICIL), will be merged with those of the Privatisation Unit (PU) but NICIL would retain responsibility for all of the Government's equity investments and properties.

**E. Pursuing Additional Debt Relief**

4.36 Mr Speaker, the Boards of the Multilateral Financial Institutions (MFIs) are expected to meet later this year to consider Guyana's eligibility for assistance under the Enhanced HIPC Initiative, or "Cologne terms". The Cologne terms allow for a topping-up of the relief granted under "Lyons terms" to at least 90 percent, in order for the country to achieve a debt-to-exports ratio of about 150 percent. We anticipate additional debt relief of about US\$322 million in NPV terms, or US\$462 million over 20 years, from our bilateral and multilateral creditors. We are most encouraged by the willingness of the United States and the United Kingdom to write-off 100 percent of our debts. This would hasten the achievement of our objective to reach debt sustainability, quickly.



## Economic and Financial Targets and Policies in 2000

5.

### A. Growth Rate and Production Targets

5.1 Mr Speaker, the Government will be building on the moderate recovery that was achieved last year. Real GDP is projected to grow by a further 3 percent in 2000. The sectoral growth targets are as follows:

#### 1. Agriculture

5.2 Following an exceptional performance in 1999, sugar production is budgeted to decline by 3.4 percent to 310,641 tonnes. This is due to lower acreage to be harvested and damper weather conditions. Rice output is projected to grow by 0.1 percent to 365,500 tonnes. In spite of above normal rainfall in the early part of the year, yields for the spring and autumn crops are expected to be favourable. Other crops and livestock are targeted to grow by 4.9 percent and 6.5 percent, respectively. The forestry sub sector is expected to increase by 6.1 percent, largely as a result of an expansion in industrial activity in the sub sector and a growth in demand for lumber and other wood products in the housing sector. Fishing is expected to grow by 3 percent.

#### 2. Industry

5.3 The overall performance of the industrial sector is reflected in the sub sectors of mining and quarrying, construction and manufacturing. The mining sector, comprising primarily bauxite and gold, is budgeted to increase by 3.2 percent, in spite of less-than-favourable market conditions. The major grades of bauxite are targeted to increase, while gold output is projected to grow by 3.4 percent.

5.4 The engineering and construction sub sector is estimated to expand by 8 percent, and is premised on the significant growth in activities in residential construction, which is to be facilitated by the amendment to the Income Tax and New Building Society Acts, as well as the increased expenditure on the public sector investment programme. Growth of the manufacturing sector is projected at 4.5 percent.

### 3. Services

5.5 Financial services will rise by 5.5 percent, consistent with the expected demand for increased financing by the private sector and households. Other services are expected to grow by 4.5 percent, reflecting the increasing importance of the service industry in the country.

### **B. Inflation and Monetary Targets**

#### 1. Inflation

5.6 Mr Speaker, an inflation rate of 9.5 percent has been targeted for 2000. The cost-push effects of increased oil prices, increased electricity tariffs, and major partner-country price increases would be among the reasons for the increased inflation.

#### 2. Monetary Targets

5.7 In light of developments in the Government sector and the balance of payments, the thrust of monetary policy in 2000 will be to promote price stability and support private sector growth. In this context, broad money is projected to increase moderately, albeit at a slower pace than the growth in nominal GDP. As a result of the anticipated net repayment by the public sector to the banking system, credit to the private sector should grow strongly.

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

5.8 Mr Speaker, after improving in 1999, the current account deficit of the balance of payments is projected to deteriorate by 26.7 percent to US\$95 million. With few exceptions, production of our key export commodities is projected to remain flat in 2000. Similarly, there appears to be no improvement in the environment of low export prices for our main products. As a result, merchandise exports are expected to earn US\$530 million, a small increase of US\$5 million. On the other hand, merchandise imports are projected to grow by 4.5 percent, to US\$575 million, mostly as a result of higher fuel prices and the expansion in the capital programme. Net services are expected to decline by US\$4 million, while transfers will increase by the same amount.

5.9 In contrast to the current account, the capital account is expected to improve, significantly, by 66.2 percent, to US\$118.7 million. This performance will be largely due to substantial disbursements of loans to the public sector for balance of payments support and to finance projects. This will allow for an improved overall position, from a deficit of US\$4.4 million to a surplus of US\$23.7 million.

#### **D. Fiscal Targets**

##### **1. Central Government**

5.10 Mr Speaker, current revenue is budgeted to increase by 4.6 percent to \$38.3 billion. The new entity, Guyana Revenue Authority, has been allocated the necessary resources to ensure it contributes its 91 percent share of the target. In order to facilitate, further, the massive expansion programme being undertaken by Guysuco, the Sugar Levy has been reduced to \$1 billion, or a mere 2.6 percent of the budgeted revenue.

5.11 Total expenditure is budgeted at \$62.2 billion, 22 percent more than budgeted in 1999. When account is taken of statutory expenditure of \$18.4 billion, the amount to be appropriated is \$43.8 billion.

5.12 Current expenditure is projected to increase by 25.4 percent, to \$42.8 billion. Personal emoluments are expected to grow to \$14.2 billion, an increase of 20.5 percent. An amount of \$2.3 billion has been set aside to meet increases in salaries and pensions. Other goods and services are projected to grow by 26.4 percent, to \$8.7 billion, largely on account of higher HIPC spending in the social sectors and an allocation of \$1 billion for the forthcoming General and Regional Elections. Transfers will increase by 28.4 percent. Interest has been projected to grow by 29.1 percent, to \$12.9 billion, mainly because of a 65 percent increase in domestic interest cost.

5.13 The primary balance is expected to decline to \$8.4 billion, from \$12.5 billion, while the current balance is projected at a deficit of \$4.6 billion. When account is taken of the capital programme, which is budgeted at \$14.6 billion, the overall balance before grants will be \$19.1 billion. The overall deficit after grants will be \$9.7 billion, or 7.1 percent of GDP. This deficit will be financed largely by net external borrowing, and will, once again, result in the private sector having access to a greater amount of resources for borrowing.

## 2. Public Enterprises

5.14 The overall surplus of the public enterprises and the NIS is projected to improve to \$745 million, from \$12 million in 1999. While receipts are expected to decline slightly, to \$49.3 billion, total operating expenses are budgeted to decline rapidly, from \$46.1 billion in 1999, to \$42.2 billion in 2000. The 66.5 percent increase in capital expenditure is principally due to the expansion programme in Guysuco. The enterprises are expected to pay \$2.4 billion in income taxes, dividends and other transfers to the Treasury.

## 3. Consolidated Balance

5.15 Mr Speaker, the overall deficit after grants of the non-financial public sector will be the equivalent of 6.6 percent of GDP, in 2000. When the large, unanticipated increase in wages and salaries was announced by the Armstrong Tribunal, the Government's immediate response was that while its financing would pose severe problems, it would neither increase taxes nor cut current or capital programmes. I am quite pleased to report that we have kept our promise in this Budget. There was no need to increase taxes, a relief which, I am sure, the private sector and the rest of the society welcome. Further, rather than cutting, we have expanded current and capital programmes, while honouring the wage award for year 2000. This was possible because the overall deficit will be financed largely from foreign capital inflows.

## Budget Measures

6.

### **A. Introduction**

6.1 Mr Speaker, there will be **no new taxes, fees nor fines in 2000**. This is the second consecutive year of a tax-free Budget and is a fitting way to start the new millennium.

### **B. Measures to Improve Workers' Income**

6.2 Mr Speaker, I would like to announce an across-the-board increase of 26.66 percent in the wages and salaries of public servants, teachers, and members of the disciplined services, effective from January 1, 2000, and based on wages and salaries at December 31, 1999. As a result of this increase, the minimum wage in the public service will move from \$15,000 per month to \$19,000 per month. In addition to this latest increase, workers have also benefited from increases in allowances, the significant expansion in the economy, and the low inflation over the past seven years, than anytime in the previous seven years. The across-the-board increase is also applicable to pensioners and recipients of social assistance. No pensioner will receive less than 50 percent of the new minimum wage.

### **C. Other Measures**

#### 1. Housing and Squatter Regularisation

6.3 Mr Speaker, the Government will distribute in excess of 20,000 house lots and will spend approximately \$1 billion on housing infrastructure and squatter settlements and schemes. This would be, in addition to the US\$30 million to be spent on sites and services.

#### 2. Poverty Programme

6.4 Mr Speaker, \$235 million has been provided for various poverty programmes in 2000.

#### 3. Subvention to Neighbourhood Democratic Councils and Municipalities

6.5 Mr Speaker, \$252 million has been budgeted to assist these bodies in the implementation of their work programmes. In addition, \$241 million has been provided for the payment of rates and taxes to the City Council. These are in addition to the benefits to be derived from the programme of urban renewal in the municipalities.

Conclusion

7.

7.1 Mr Speaker, we have come a long way as a people. Many decades of struggle have not diminished our spirit, drive and determination; rather, they have made us stronger and more resilient. This Budget offers us the opportunity, once more, to demonstrate our capacity to rise to the occasion, and to work towards higher levels of performance and achievement.

7.2 Through prudent and sound management of the economy, and an unceasing desire to unite the many races of our country, Guyana is once again on the growth path. The start of this millennium must see us continuing along this path, devoting more of our energies to the causes that unite us, instead of accentuating the differences that threaten to keep us apart. If we are to survive and grow as one people, with a common destiny, let us resolve to work together in harmony, so that we can secure our future together.

7.3 We have made an auspicious beginning to the new millennium, and we should keep the momentum going. Mr Speaker, I ask, Can we do it? I believe we can!

Thank you.

## APPENDIX I

SELECTED SOCIO - ECONOMIC INDICATORS					
ITEM	1999	1998	1997	1996	1995
<b>1.0 NATIONAL ACCOUNTS AGGREGATES</b>					
1.1 Growth Rate of Real GDP	3.0	-1.8	6.2	7.9	5.1
1.2 GDP at factor cost (US\$M)	576.7	601.3	626.5	590.1	517.0
1.3 GNP at factor cost (US\$M)	518.8	545.1	552.8	510.9	431.0
1.4 Per capita GDP (US\$)	746.2	777.4	808.3	766.0	680.0
1.5 Per capita GNP (US\$)	671.4	704.8	713.2	663.0	567.0
1.6 Gross National Disposable Income (US\$M)	654.8	696.8	676.3	671.3	563.4
1.7 Private Consumption as % of Gross Domestic Expenditure	43.5	43.9	41.4	42.1	43.2
1.8 Public Consumption as % of Gross Domestic Expenditure	22.9	13.7	18.5	16.5	14.8
<b>2.0 EXTERNAL TRADE AND FINANCE (US\$M)</b>					
2.1 BOP Current Account Balance	-75.2	-96.5	-105.1	-53.8	-94.9
2.2 Imports of Goods and Non-Factor Services (G&NFS)	-728.3	-775.0	708.8	663.5	626.9
2.3 Exports of Goods and Non-Factor Services (G&NFS)	672.0	688.8	637.4	621.0	579.0
2.4 Resource Balance	-56.3	-86.3	-71.4	-42.5	-47.9
2.5 Imports of G&NFS/GDP(%)	126.3	128.9	-113.1	112.4	121.3
2.7 Exports of G&NFS/GDP(%)	116.5	114.6	101.7	105.2	112.0
2.8 Net International Reserves of Bank of Guyana	123.2	122.2	149.9	153.9	86.4
2.9 External Public Debt Outstanding	1196.2	1496.5	1513.0	1537.0	2058.0
<b>3.0 PRICES, WAGES &amp; OUTPUT</b>					
3.1 Rate of Inflation (% changed in Urban CPI)	8.6	4.6	6.8	6.6	9.1
3.2 Public Sector Monthly Minimum Wage in G\$(e.o.p)	15000.0	11445.0	8804.4	7337.0	6380.0
3.3 % Growth Rate	31.1	30.5	20.0	15.0	16.0
3.4 Electricity Generation (in M.W.H)	443.2	431.2	390.4	347.3	335.0
<b>4.0 POPULATION &amp; VITAL STATISTICS</b>					
4.1 Mid-Year Population ('000)	772.8	773.4	775.1	770.1	760.4
4.2 Population Growth Rate (e.o.p)	NA	0.5	0.1	0.5	1.3
4.3 Net Migration ('000)	NA	-13.0	-16.3	-8.0	-7.5
4.4 Visitor Arrivals ('000)	NA	65.6	75.7	97.1	107.6
4.5 Crude Birth Rate (per 1,000 persons)	23.2	24.1	26.1	24.0	29.8
4.6 Crude Death Rate (per 1,000 persons)	6.6	6.5	6.8	6.5	7.1
4.7 Crude Marriage Rate (per 1,000 persons)	7.1	6.7	6.5	8.7	5.2
4.8 Infant Mortality Rate (per 1,000 live births)	NA	22.9	25.5	24.2	27.8
4.9 Under 5 mortality Rate (per 1,000 live births)	NA	31.3	31.8	30.3	24.6
<b>5.0 HEALTH AND EDUCATION</b>					
5.1 Public Expenditure on:					
5.1.1 Education as % of National Budget	11.6	11.9	6.8	7.3	6.7
5.1.2 Health as % of National Budget	6.7	5.9	7.3	6.3	8.3
5.2 Number of Physicians per Ten Thousand Population	2.6	4.3	2.8	3.8	3.0
5.3 Number of Nurses per Ten Thousand Population	8.6	15.3	9.4	8.0	8.0
5.4 Number of Hospital Beds per Ten Thousand Population	42.2	42.3	38.8	35.9	35.9
5.5 Low birth-weight babies (<2500g.) as a % of live births	NA	19.3	14.8	14.6	15.3
5.6 Severely malnourished	NA	0.8	0.9	0.9	1.1
5.7 Moderately malnourished	12.4	15.0	15.2	18.2	20.6
5.8 Underweight	4.0	4.0	4.5	4.5	5.6
<b>6.0 IMMUNIZATION COVERAGE</b>					
6.1 1 year olds Immunized against DPT (%)	83.0	90.0	88.0	83.0	86.0
6.2 1 year olds Immunized against measles (%)	85.0	93.3	82.0	91.1	84.1
6.3 1 year olds Immunized against polio (%)	83.0	90.0	88.5	83.0	87.0
6.4 1 year olds Immunized against TB (%)	91.0	92.5	94.0	88.4	93.3
<b>7.0 CRIME</b>					
7.1 Reported Serious Crimes	NA	4423.0	3233.0	3676.0	3425.0
7.2 of which: Homicides	NA	120.0	99.0	98.0	109.0

## APPENDIX II

### REAL OUTPUT INDEX

SECTOR	Budget 2000	Revised 1999	Budget 1999	1998	1997	1996
<b>TOTAL</b>	<b>155.3</b>	<b>150.7</b>	<b>149.5</b>	<b>146.4</b>	<b>148.9</b>	<b>144.6</b>
Sugar	183.6	190.0	159.5	151.0	163.3	164.6
Rice	278.3	278.0	266.1	258.4	259.2	257.3
Livestock	126.0	118.3	118.3	116.0	117.8	193.4
Other Agriculture	155.1	147.9	149.3	146.4	137.1	130.1
Fishing	122.7	118.5	136.4	117.4	120.5	154.5
Forestry	299.5	282.3	247.1	250.0	330.0	307.7
Mining & Quarrying	169.3	164.1	172.9	179.1	174.4	155.0
Manufacturing	117.7	112.6	106.5	105.5	117.9	113.0
Distribution	148.2	139.2	155.9	151.3	143.8	136.3
Transport & Communication	158.1	149.9	149.9	147.0	151.7	139.2
Engineering & Construction	186.2	172.4	199.3	191.6	182.8	162.0
Rent & Dwellings	143.9	134.5	149.1	143.1	135.4	126.1
Financial Services	171.2	162.3	163.1	159.1	154.1	147.4
Other Services	159.6	152.7	154.7	150.2	144.8	137.9
Government	104.6	103.5	102.1	102.5	102.7	99.9



## APPENDIX III

## CENTRAL GOVERNMENT FINANCIAL OPERATIONS

	BUDGET 2000	REVISED 1999	BUDGET 1999	ACTUAL 1998
<b>Total Revenue</b>	<b>38,339.5</b>	<b>36,624.0</b>	<b>35,004.0</b>	<b>33,186.0</b>
<i>Revenue</i>	<i>38,269.5</i>	<i>36,584.0</i>	<i>34,939.0</i>	<i>33,121.0</i>
<i>Tax</i>	<i>35,809.6</i>	<i>33,646.0</i>	<i>32,769.0</i>	<i>31,071.0</i>
<i>Income taxes</i>	<i>14,618.5</i>	<i>13,617.0</i>	<i>12,495.8</i>	<i>11,854.7</i>
<i>Consumption taxes</i>	<i>13,716.1</i>	<i>12,296.0</i>	<i>12,169.2</i>	<i>11,444.3</i>
<i>Trade taxes</i>	<i>5,001.9</i>	<i>4,591.0</i>	<i>4,925.2</i>	<i>4,480.0</i>
<i>Other</i>	<i>2,473.1</i>	<i>3,142.0</i>	<i>3,178.8</i>	<i>3,292.0</i>
<i>Non-tax</i>	<i>2,459.9</i>	<i>2,938.0</i>	<i>2,170.0</i>	<i>2,050.0</i>
<i>Private sector</i>	<i>1,974.9</i>	<i>1,951.0</i>	<i>1,835.0</i>	<i>1,722.7</i>
<i>Public enterprise &amp; BOG</i>	<i>485.0</i>	<i>987.0</i>	<i>335.0</i>	<i>327.3</i>
<b>Total expenditure</b>	<b>57,435.2</b>	<b>46,479.0</b>	<b>45,290.5</b>	<b>43,280.8</b>
<i>Current expenditure</i>	<i>42,835.2</i>	<i>34,147.2</i>	<i>32,503.8</i>	<i>30,194.7</i>
<i>Non-interest expenditure</i>	<i>29,901.3</i>	<i>24,125.0</i>	<i>22,172.8</i>	<i>19,696.9</i>
<i>Personal emoluments</i>	<i>14,244.0</i>	<i>11,821.0</i>	<i>9,643.8</i>	<i>9,159.3</i>
<i>Other goods and services</i>	<i>8,687.5</i>	<i>6,874.0</i>	<i>7,065.0</i>	<i>6,310.3</i>
<i>Transfers to the private sector</i>	<i>6,969.8</i>	<i>5,430.0</i>	<i>5,464.0</i>	<i>4,227.3</i>
<i>Interest</i>	<i>12,933.9</i>	<i>10,022.2</i>	<i>10,331.0</i>	<i>10,497.8</i>
<i>External</i>	<i>7,063.0</i>	<i>6,461.0</i>	<i>6,560.3</i>	<i>7,411.7</i>
<i>Domestic</i>	<i>5,870.9</i>	<i>3,561.2</i>	<i>3,770.7</i>	<i>3,086.1</i>
<b>Primary balance</b>	<b>8,368.2</b>	<b>12,459.0</b>	<b>12,766.2</b>	<b>13,424.1</b>
<b>Current balance</b>	<b>(4,565.7)</b>	<b>2,436.8</b>	<b>2,435.2</b>	<b>2,926.3</b>
<i>Capital Revenue</i>	<i>70.0</i>	<i>40.0</i>	<i>65.0</i>	<i>65.0</i>
<i>Capital Expenditure</i>	<i>14,600.0</i>	<i>12,331.8</i>	<i>12,786.7</i>	<i>13,086.1</i>
<b>Overall Balance before Grants</b>	<b>(19,095.7)</b>	<b>(9,855.0)</b>	<b>(10,286.5)</b>	<b>(10,094.8)</b>
<b>Grants</b>	<b>9,352.8</b>	<b>6,561.0</b>	<b>4,252.0</b>	<b>2,777.5</b>
<i>HIPC relief</i>	<i>4,865.0</i>	<i>4,005.0</i>	<i>-</i>	<i>-</i>
<i>Other</i>	<i>4,487.8</i>	<i>2,556.0</i>	<i>4,252.0</i>	<i>2,777.5</i>
<b>Overall Balance after Grants</b>	<b>(9,742.9)</b>	<b>(3,294.0)</b>	<b>(6,034.5)</b>	<b>(7,317.3)</b>
<b>Financing</b>	<b>9,742.9</b>	<b>3,294.0</b>	<b>6,034.5</b>	<b>7,317.3</b>
<i>Net External Borrowing</i>	<i>7,982.0</i>	<i>4,262.0</i>	<i>7,180.6</i>	<i>2,735.0</i>
<i>Net Domestic Borrowing</i>	<i>1,090.9</i>	<i>(183.0)</i>	<i>(4,097.4)</i>	<i>4,222.8</i>
<i>Net Divestment Proceeds</i>	<i>670.0</i>	<i>(785.0)</i>	<i>2,951.3</i>	<i>359.5</i>

Figures: G\$m  
Source: Ministry of Finance

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APPENDIX IV

ALL URBAN CONSUMER PRICE INDEX  
(including GEORGETOWN)

GROUP	1998	1999											
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
ALL ITEMS	141.7	143.6	144.8	144.7	147.6	148.1	149.9	150.7	151.1	153.4	153.7	153.4	154.0
FOOD (incl. Alcoholic Beverages)	146.9	149.8	149.3	148.7	152.4	152.9	156.5	157.7	157.7	160.0	158.4	157.1	157.0
CLOTHING	79.1	76.1	76.1	72.9	72.3	73.3	73.3	73.3	73.0	73.0	72.8	73.2	73.8
FOOTWEAR	70.3	70.3	70.3	69.7	69.5	68.1	68.5	68.4	68.1	68.1	68.1	68.1	68.1
HOUSING	144.0	144.6	146.9	147.2	149.7	150.3	150.8	151.7	153.2	155.2	157.7	157.8	158.7
FURNITURE	119.7	121.1	121.9	123.8	124.9	124.6	125.3	125.6	123.9	123.9	123.7	127.5	127.1
TRANSPORT & COMMUNICATION	168.4	170.8	172.7	174.8	180.2	181.0	181.0	181.0	182.1	187.6	189.4	189.5	190.0
MEDICAL & PERSONAL CARE	145.7	146.1	157.2	156.8	156.7	158.0	161.2	166.0	169.0	169.0	177.5	178.2	188.8
EDUCATION, RECREATION, CUL.	134.1	134.4	141.4	141.2	141.6	141.6	141.7	141.6	139.7	145.3	147.8	147.8	147.9
OTHER GOODS AND SERVICES	133.4	134.2	136.5	135.4	137.1	137.2	137.1	137.3	137.2	136.7	137.5	137.5	138.1

Base Year: Dec 1994 = 100

Source: Bureau of Statistics

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**BALANCE OF PAYMENTS  
ANALYTIC SUMMARY**

ITEM	Budget 2000	Revised 1999	Budget 1999	Actual 1998
<b>A Current Account</b>	-95.0	-75.2	-88.0	-98.5
<b>1.0 Merchandise (Net)</b>	-45.0	-25.2	-46.0	-54.2
1.1 Exports (f.o.b.)	530.0	525.0	574.0	547.0
1.1.1 Bauxite	75.0	77.2	78.0	78.5
1.1.2 Sugar	138.0	136.2	135.0	129.0
1.1.3 Rice	70.0	71.1	81.0	73.3
1.1.4 Gold	105.0	108.7	122.0	124.0
1.1.5 Other	119.0	111.5	136.0	120.2
1.1.6 Re-exports	23.0	20.3	22.0	22.0
1.2 Imports (c.i.f.)	-575.0	-550.2	-620.0	-601.2
1.2.1 Fuel & Lubricants	-95.0	-88.5	-66.0	-72.0
1.2.2 Other	-480.0	-461.7	-554.0	-529.2
<b>2.0 Services (Net)</b>	-93.0	-89.0	-91.0	-88.3
2.1 Factor	-58.0	-57.9	-57.0	-56.2
2.2 Non Factor (Net)	-35.0	-31.1	-34.0	-32.1
<b>3.0 Transfers</b>	43.0	39.0	49.0	44.0
3.1 Official	8.6	7.8	8.0	8.8
3.2 Private	34.4	31.2	41.0	35.2
<b>B Capital Account</b>	118.7	71.4	84.0	79.8
<b>1.0 Capital Transfers</b>	14.0	15.5	0.0	13.1
<b>2.0 Medium and Long Term Capital (Net)</b>	103.7	82.9	85.0	67.9
2.1 Non - Financial Public Sector Capital (Net)	46.7	34.9	39.0	23.9
2.1.1 Disbursements	68.7	47.4	69.0	59.7
2.1.2 Amortization	-22.0	-23.5	-30.0	-45.8
2.1.3 Other	0.0	11.0	0.0	10.0
2.2 Private Sector (Net)	57.0	48.0	46.0	44.0
<b>3.0 Short Term Capital</b>	1.0	-27.0	-1.0	-1.2
<b>C Errors and Omissions</b>	0.0	-0.6	0.0	-4.0
<b>D OVERALL BALANCE</b>	23.7	-4.4	-4.0	-22.7
<b>E Financing</b>	-23.7	4.4	4.0	22.7
1.0 Bank of Guyana net foreign assets	-23.7	-9.0	-22.0	22.7
2.0 Change in Non-Financial Public Sector Arrears	0.0	0.0	0.0	0.0
3.0 Exceptional Financing	0.0	13.4	26.0	0.0
3.1 Debt Relief	0.0	0.0	26.0	0.0
3.2 Balance of Payments Support	0.0	0.0	0.0	0.0
3.3 Debt Forgiveness	0.0	0.0	0.0	0.0
3.4 Debt Stock Restructuring	0.0	13.4	0.0	0.0