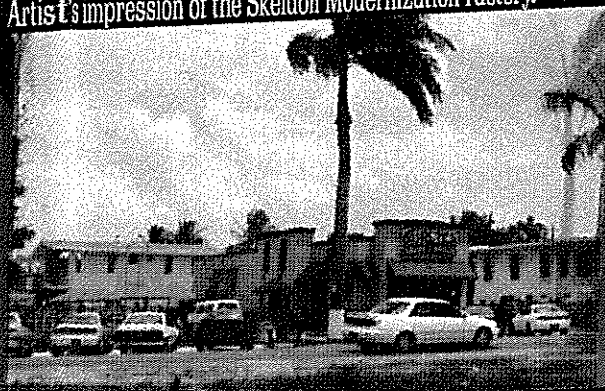


# CONFRONTING THE CHALLENGES: STAYING ON COURSE FOR A PROSPEROUS GUYANA!

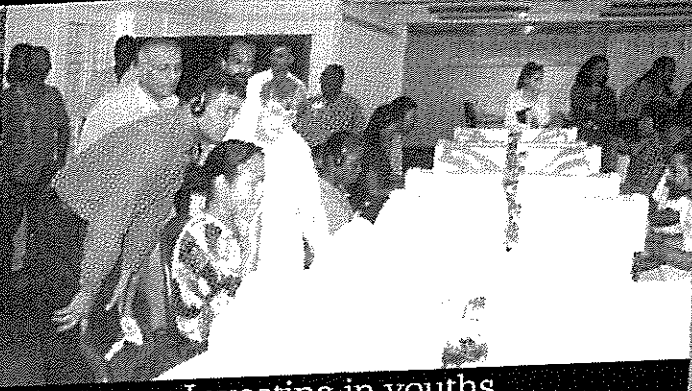
## BUDGET 2003

Artist's impression of the Skeldon Modernization Factory.

Artist's impression of the new CARICOM Headquarters.



New Investment.



Investing in youths.



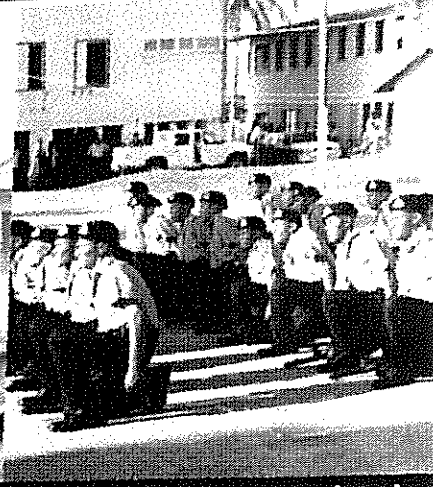
Improved healthcare.



New Investment.



Housing Scheme



Security: a priority

MARCH 28, 2003



**GUYANA**

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**SESSIONAL PAPER NO. 1 OF 2003  
EIGHTH PARLIAMENT OF GUYANA  
UNDER THE  
CONSTITUTION OF GUYANA**

**SECOND SESSION 2002 – 2003**

**BUDGET SPEECH**

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**Honourable Saisnarine Kowlessar, M.P.**

**Ministry of Finance**

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**March 28, 2003**



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## Introduction

1

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 2003. 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, when I last presented the budget, on March 15, 2002, I used the occasion to recall the tragic events that occurred in the United States of America, on September 11, 2001 and the likely impact they would have had on our economy. Even in face of the uncertainties, I had expressed confidence in our policies and I counted on the known resilience of our people to keep Guyana on the move forward.

1.3 However, Mr Speaker, none of us could have predicted the unsavoury events that unfolded in Guyana in 2002. The increase in criminal activities since February last year has claimed the lives of many persons, including twenty-three law enforcement officers, resulted in injuries to many others, and traumatised the citizenry. This development exacerbated the already difficult political situation. The physical and psychological damage that these events have inflicted on the psyche of the peace-loving people of this country would be felt long after normalcy has been restored. I appeal to all those who cherish democracy, and the freedoms that flow from it, to lend an unequivocal voice against attempts to create instability, to make the country ungovernable, and to divide our people.

1.4 Mr Speaker, notwithstanding the many difficulties encountered at the local and international levels, we redoubled our efforts to deliver increased social and economic benefits to the population. Growth continued to be positive; sugar production was the highest in 26 years; the exchange rate remained stable and international reserves exceeded the target; the physical and human infrastructure was expanded; more money was spent on health, education, pure water, and housing; and workers' incomes were increased. Shrewd management of the economy ensured that all of this was accomplished despite the diversion of resources to fight crime.

1.5 Mr Speaker, all of us should ponder on the following: if so much can be accomplished under such extreme circumstances, how much more could be achieved if the Government did not have to engage constantly in costly and avoidable distractions. Should we not see this as a clarion call for us to put our collective shoulders to the proverbial wheel in the fight against poverty and underdevelopment? I believe that we owe it to this and future generations to redirect and, in the words of our National Pledge, “dedicate our energies towards the happiness and prosperity of Guyana.”

1.6 Mr Speaker, we are cautiously optimistic that despite its inauspicious beginning, Year 2003 will see a further advancement in the welfare of our people. As President Bharrat Jagdeo intimated in his New Year’s Message, the task of the Government will be to continue to forge a Guyana in which opportunities for all of our people abound; a place where citizens are free, proud and can pursue their way of life in dignity. We have already developed the plans and programmes to make this vision a reality. They find expression and elaboration in the PPP/C’s campaign manifesto for the 2001 Elections, the Poverty Reduction Strategy Paper (PRSP), the National Development Strategy (NDS), and various public statements and pronouncements that have been made periodically.

1.7 It is within that framework that I bring to this Honourable House a packed agenda for 2003. Among the priorities are job creation through growth, promotion and attraction of investment, and increased support for the private sector; greater access to potable water, housing and other social services; reform of the Judiciary; more accountable Government; and an intensified crime fight. The seriousness with which we intend to pursue the execution and implementation of our plans, policies and programmes will ensure that we make further progress this year.

1.8 Mr Speaker, we are not unmindful of the enormity of the effort needed to put Guyana on a high and sustainable growth path. The road to development is not paved with gold; neither is it shorn of missteps. Many obstacles abound – some foreseen, others unforeseen or beyond our control. As I develop the agenda for 2003, shortly, it will become increasingly evident that our intent, our purpose, indeed our goal is not to give up but to consolidate and expand our hard won gains, fortified in the knowledge

that we are doing what is right for the people of this country. This is what this Budget is about. It has been crafted against the background of the challenges existing in the global and domestic theatres. It seeks growth within a stable macroeconomic environment. It envisages the nation attaining greater heights, being put on a progressively higher growth path, with our people enjoying a better standard of living. It is for these reasons that this Budget is being presented under the theme: *Confronting the Challenges: Staying on Course for a Prosperous Guyana*.

1.9 Finally, Mr Speaker, in keeping with the consultative approach, which has been a hallmark of this Government since assuming Office in October 1992, this Budget has been enriched by the inputs from various organisations and individuals. We thank them for their continued interest and support. I should now like to review the international and regional context within which this Budget subsists.

## Review of the Global Economy

2

2.1 Mr Speaker, in the aftermath of the September 11, 2001 debacle, which shattered investor and consumer confidence and hastened the slide of the world economy into a full blown recession, the prospects of an early return to robust growth were slim. While the world economy lurched to a 2.6 percent growth in real terms, there were several common features, which characterised most of the countries. Among them were sluggish growth of output, benign inflation (and deflation in some cases), stagnant employment, worsening fiscal balances, low and uneven growth in international trade, reduced international capital flows, and lower prices for many non-fuel commodities.

2.2 Mr Speaker, the news was particularly grim for countries in Latin America and the Caribbean. With very few exceptions, especially those that produce and export oil, countries on this side of the world fought a losing battle to maintain output, income and employment at their 2001 levels. Output for the Latin American Region contracted by 0.6 percent, with most of the decline coming as a result of the crisis in Argentina and the spillover effects on neighbouring countries. Outright recessions were experienced in Argentina, Paraguay, Venezuela and Uruguay, where the economy contracted by more than 10 percent. Inflation, which moderated in 2001, rose by 8.6 percent in 2002. Of the 26 countries that were monitored, as many as 12 experienced a decline in per capita GDP. Only one had per capita GDP growth above 3 percent.

2.3 A similar situation was observed for Caribbean economies, where, with the notable exception of Guyana, Belize and Trinidad and Tobago, weak economic performances were returned. Critical foreign exchange-earning sectors, especially tourism, failed to provide the stimulus that was needed to generate expansion in output and income. Even normally healthy economies, such as those of Barbados and the Bahamas, were not spared; both of them contracted. In the extreme case of Dominica, whose economy contracted by 3.1 percent, the Caricom Heads of Governments were moved to adopt an imaginative approach, in the form of a Regional Stabilisation Fund, to rescue that sister nation.

2.4 These developments have had a negative effect on efforts to roll back unemployment and reduce poverty. A recent International Labour Organisation report has blamed two years of global slowdown for pushing worldwide unemployment to “new heights”. The report estimates that, of all the regions, Latin America and the Caribbean was hit the hardest, with recorded joblessness rising by 10 percent.

2.5 Mr Speaker, low growth and high unemployment present a prodigious challenge to the region. But, current international developments do not bode well for the strengthening of global growth and our economies. The outbreak of war in the Middle East, rising oil prices, and lower business and consumer confidence are key threats to global recovery in the short term. Global growth, which was originally forecast at 3.5 percent, will now have to be revised, most likely downwards, depending on how long the war lasts and how high oil prices climb. A recent United Nations study has shown the damaging impact oil price increases can have on the world economy. The study estimates that for every US\$10 increase in the price of oil, the world economy will contract by 0.5 percent. While oil prices fell to as low as US\$20 per barrel last week, they have steadily climbed upwards over the past few days. We will be watching this situation closely, as it unfolds, and will take the necessary actions to protect our economy.

2.6 Mr Speaker, the war will have a negative impact on world trade, travel and investment. Also, it is evident that resources will have to be found to finance the cost of the war and the reconstruction of Iraq, a reality that could see the drastic reduction in development aid to our countries. Such a development would certainly undermine the prospects for recovery in our economies, especially the vital tourism sector of the Caribbean islands, and postpone growth.

2.7 Reduced aid flows and foreign exchange earnings, together with rising oil prices, will exacerbate the fiscal and external balances, curtail the financing of critical social and poverty-reduction programmes, and increase unemployment in these countries. When mixed with a volatile cocktail of rising crime, growing drug use and drug trafficking, and the HIV/AIDS pandemic, among other social ills, such a scenario would be too difficult to contemplate. This is why we maintain that dialogue and diplomacy offer the best hope for resolving international disputes and differences.

We, therefore, call for a speedy conclusion of the war and for the fullest use to be made of these tested and proven means of conflict resolution.

2.8 Mr Speaker, we will continue to formulate and implement policies to allow us to exist and compete effectively within the Caribbean Single Market and Economy; the Free Trade Area of the Americas, which is scheduled to come into effect in January 2005; the World Trade Organisation Post Doha negotiations, especially in agriculture and services; and the new Economic Partnership Agreement with Europe that comes into force in 2007. While Guyana may be considered to be a small player in world affairs, we, in concert with our partners, can play an important role in influencing and shaping the course and outcome of these negotiations. This is a challenge that we have accepted and have been boldly pursuing. It is against this international context that Budget 2003 has been constructed.

## Review of the Domestic Economy

3

### **A. Real Growth of Output**

3.1 Mr Speaker, skilful management of the economy, in the face of the difficulties encountered at the national and international levels, ensured that the economy expanded once again in 2002. The Gross Domestic Product (GDP) grew by 1.1 percent in real terms, compared to the target of 2 percent, and the 1.9 percent that was achieved in 2001.

### **B. Sectoral Performance**

3.2 Mr Speaker, prominent among the performers in the agricultural sector was sugar, whose production increased by 16.4 percent to 331,057 tonnes, the highest since nationalisation. This outstanding result is a reflection of the correctness of the decision to undertake a massive restructuring and modernisation of the industry as embodied in the Agriculture Improvement Plan. Favourable weather conditions, which facilitated timely land preparation, and improved yields were also responsible for this success. On the other hand, on account of poor weather early in the year that affected planting and continued financial difficulties faced by farmers, rice production declined by 10.7 percent to 287,755 tonnes.

3.3 The performance of the other sub-sectors of the agriculture sector was mixed. Livestock increased by 5 percent, largely as a result of new investment, expanded capacity and increased protection of the local market. However, while poultry meat increased by 33.6 percent to 16.7 million kilograms, egg production declined by 32.3 percent to 17.4 million units. Other agriculture grew by 1.5 percent. Fishing declined by 4 percent to 23.7 million kilograms. Forestry contracted by 8 percent.

3.4 Mr Speaker, although the output of the mining and quarrying sector declined by 6.9 percent, there were some encouraging performances in gold and diamonds. Buoyed by a recovery in world market prices, declared raw gold production of small miners rose by 15.1 percent to 117,240 ounces - somewhat of a record for these small operators. Even though Omai Gold Mines Limited performed better than budgeted,

the output of 339,798 ounces was 8.8 percent less than in 2001. After record levels in 2001, diamond production rose by 34.8 percent to 248,436 carats, reflecting higher prices, the impact of new technology and foreign direct investment in the industry.

3.5 For the second successive year, bauxite production contracted sharply to reach 1,630,244 tonnes. This 18.9 percent reduction is symptomatic of the woes facing the industry, including depressed prices, high production costs, and lack of financing. It is hoped that the actions that were taken during 2002 will result in a turnaround of the industry's production and profitability in the near future.

3.6 The manufacturing sector grew by 2 percent, continuing the trend observed in 2001. Generally, there were good performances in the following broad areas: industrial goods (neutral alcohol, 78.3 percent; stockfeed, 20.2 percent; paints, 6.2 percent); beverages (stout, 37 percent; malta, 11.6 percent; rum, 10.2 percent); edible items (snack foods, 96 percent).

3.7 The services sector performed indifferently, with only two sub-sectors recording positive growth. Transport and communication increased by 4.5 percent, largely due to the phenomenal growth in cellular phone subscribers. On the other hand, engineering and construction declined by 4 percent, partly due to the general inactivity of the private sector. Distribution fell by 1 percent, reflecting, in part, declines in visible imports and overall local production. Financial services declined by 1 percent, an indication of the effect of the unstable political climate and the cautious approach to lending that was adopted by the commercial banks. Government's contribution to the GDP fell by 1 percent.

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

3.8 Mr Speaker, the performance of the current and capital accounts of the balance of payments was mixed. The current account deficit improved by 17 percent to US\$106.7 million, reflecting the narrowing of the merchandise trade account which more than offset the net services and net transfer accounts.



3.9 Exports of goods rose by 1 percent to US\$494.9 million, with all of the major exports, excepting rice and bauxite, recording increased revenues. In particular, export earnings from sugar amounted to US\$119.5 million or 9.4 percent higher than in 2001. Export volume increased by 11.6 percent to 281,619 tonnes and this compensated for the 1.9 percent decline in the average export price to US\$424.3 per tonne. Gold earned US\$136.3 million, an increase of 7.3 percent, reflecting a small volume growth and the rebound in the average price from US\$282.6 to US\$302 per ounce. Timber earned US\$35.6 million, almost US\$3 million more while the value of “other exports” increased by 11.7 percent to US\$122.8 million. On the other hand, export earnings from rice declined by 9.6 percent to US\$45.4 million while receipts from bauxite fell dramatically to US\$35.3 million from US\$61 million in 2001.

3.10 Merchandise imports amounted to US\$563.1 million, 3.6 percent below the value in the previous year. All of the major categories of goods showed declines as follows: consumption goods, 4.4 percent; intermediate goods, 3.3 percent; and capital goods, 1.6 percent. Net factor income payments fell by US\$3.6 million while net services of US\$78.5 million was about the same as in 2001. Net current transfers declined by 9.1 percent to US\$40 million.

3.11 The capital account showed net inflows of US\$88.7 million, substantially less than the US\$115.3 million recorded in 2001. This reflects the lower disbursement of public sector loans and reduced private capital inflows. The overall balance of payments deficit was US\$25.1 million and it was financed by debt relief inflows under the HIPC initiative. This allowed the Bank of Guyana to maintain a healthy reserves position, with net foreign assets increasing by US\$4 million at end-December, 2002.

#### **D. Monetary Developments**

3.12 Mr Speaker, the focus of monetary policy continued to be price and exchange rate stability and fostering a conducive environment for investment and economic growth. Reserve money stood at \$36.3 billion, 10 percent higher than in 2001. This increase was reflected in the net domestic assets, which rose by 23.7 percent to \$11.7 billion, and the net foreign assets of the Bank of Guyana, which grew by 4.5 percent.

Broad money, comprising currency in circulation and private sector deposits, grew by 5.5 percent to \$98.1 billion.

3.13 Total deposits of residents rose by 9.5 percent to \$8.8 billion. In particular, public sector deposits grew by 34.5 percent compared to a 6.4 percent increase in private sector deposits and a 15.1 percent increase in the deposits of non-financial institutions.

3.14 Net domestic credit of the banking system increased by 5.5 percent to \$28.7 billion. Credit to the private sector remained flat, reflecting the excess liquidity in the system, the overly cautious lending policy adopted by the commercial banks, political instability and the heightened crime wave. In fact, with the exception of rice milling, personal use and 'other' purposes, all of the economic sectors registered net repayments to the banking system. The public sector continued to be a net depositor of funds to the banking system. However, Central Government's deposits, net of loans, advances and Treasury Bills contracted by 16.2 percent or \$3 billion while other public sector net deposits expanded by 16 percent.

## **E. Prices and Incomes**

### **a. Inflation rate**

3.15 Mr Speaker, the inflation rate for 2002 was 6.1 percent, slightly above the target of 5 percent. This was due to several reasons. First, inflationary pressures resulted from substantial increases in the tariffs of electricity, water and telecommunications. Second, the steep rise in the crime rate, especially along the East-West corridor of the country, temporarily disrupted food supplies during August and September and this created artificial shortages that led to increases in the index for the food sub-group. Third, the price of diesel fuel rose sharply towards the latter part of the year, forcing the government to intervene through the lowering of the consumption tax. Finally, the very openness of our economy suggests that the inflation rate would be influenced by price adjustments in our major trading partners. This was our experience in 2002.

b. Interest rate

3.16 Mr Speaker, interest rates continued to trend downwards, in part, due to the intense competition for Government securities. The 91-day Treasury Bill rate, which is the reference rate for the development of other interest rates, declined by 2.34 percentage points to 3.91 percent. Following this, the ordinary savings deposit rate fell by 2.41 percentage points to 4.29 percent. However, there was a marginal decline of less than 1 percentage point for the weighted average lending rate. This resulted in the widening of the spread between the two rates to 11.96 percentage points, from 10.9 percentage points in 2001.

c. Exchange rate

3.17 Mr Speaker, the exchange rate remained stable for most of the year, depreciating marginally by 1.2 percent. Total foreign currency transactions amounted to US\$2.04 billion, an increase of 10.1 percent.

d. Wage rate

3.18 Mr Speaker, in spite of our best efforts, we did not reach agreement with the unions on wages and salaries' increases for workers. As a result, the Government, acting in the interest of the public servants, approved and paid an across-the-board increase of 5 percent. This brought the minimum wage to \$21,047. Members of the Disciplined Services, pensioners and recipients of public assistance also benefitted from this increase. In addition to the 5 percent, members of the police force, fire and prison departments enjoyed further increases in their income. Teachers were paid increases ranging from 15.5 percent at the bottom of the salary scale to 5 percent at the top. Increases of between 4 and 5 percent were legislated for certain categories of unskilled workers in the private sector.

**F. Fiscal Accounts**

1. Central Government

3.19 Mr Speaker, the overall performance of the Central Government in 2002 was significantly better than in 2001. This achievement was mainly due to the strong growth in revenues and the prudent management of public expenditure.

3.20 Current revenue (net of reimbursable Rice Levy) was \$44.6 billion, 1.8 percent more than budgeted. The Guyana Revenue Authority accounted for 91.6 percent of the revenue, or \$40.8 billion. The Internal Revenue Department surpassed its target of \$20.7 billion by \$1.5 billion or 6.6 percent, an achievement that reflects the success of our efforts to strengthen tax administration and collection. This was mainly responsible for the 11.1 percent growth in income tax. On the other hand, even though tax collection of \$18.7 billion by the Customs and Trade Administration was 3.3 percent more than in 2001, it was substantially below the target of \$20.2 billion. Other current revenue contributed \$3.8 billion, the bulk of which was garnered from royalties (\$952 million); dividends from equity holdings and public enterprises (\$810 million); and Bank of Guyana profits (\$479 million).

3.21 Total expenditure (net of principal repayments and reimbursable Rice Levy) amounted to \$64 billion, 7.2 percent less than budgeted. Current expenditure reached \$48.2 billion, of which: personal emoluments rose by 7.4 percent to \$15.8 billion; other goods and services grew by 7.1 percent to \$9.7 billion; and transfers (including those to Linmine and Bermine) increased by 3 percent to \$11.9 billion. Scheduled interest payments declined by 8.4 percent to \$10.7 billion, as a result of further interim debt relief and lower domestic interest rates. Capital expenditure (net of transfers and loans to public enterprises) was \$15.7 billion.

3.22 The current deficit of the Government was \$3.6 billion, an improvement of 36.2 percent relative to 2001. The overall deficit after grants was \$8 billion or 5.7 percent of GDP, substantially better than the 8.4 percent of GDP recorded in the previous year. The deficit was financed through net external borrowing of \$3.8 billion and a drawdown of government deposits with the banking system of \$4.2 billion.

## 2. Public Enterprises

3.23 Mr Speaker, total receipts of the public enterprises increased by 9.8 percent to \$50.6 billion, largely as a result of Guysuco, whose revenue was positively affected by increased exports and a favourable euro/US dollar exchange rate. At the same time, operating expenses rose by 15.7 percent to \$48.3 billion, reflecting strong

growth in wages and salaries and other goods and services. Most of this growth was attributed to Guysuco in the process of achieving its record-breaking performance in production. Taxes paid to Central Government were \$1.2 billion, three times the amount paid in 2001, while dividends were \$312 million. Current savings deteriorated markedly to \$2.2 billion, from \$4.3 billion in 2001, and this contributed to the decline in the overall balance from \$2.5 billion to \$452 million.

### 3. Non-Financial Public Sector

3.24 Mr Speaker, the developments in the Central Government and the Public Enterprises resulted in an overall deficit after grants of the non-financial public sector of \$7.4 billion, or 5.3 percent of GDP. This compares favourably with \$8.7 billion or 6.5 percent of GDP in 2001.

### G. Public Sector Investment Programme

3.25 Mr Speaker, the Government budgeted to spend \$20 billion on the Public Sector Investment Programme (PSIP) in 2002. This amount assumed some \$4.1 billion in new resources from meeting the completion point for the EHIPC and disbursement of public sector loans for onlending to Guysuco for the sugar modernisation project. However, neither event occurred and the Government had to revise the PSIP downwards. It was able to achieve 99 percent of the revised target. I will now review developments in each sector.

#### 1. Physical Infrastructure Sector

3.26 Mr Speaker, over the past several years, we have embarked on a programme to rehabilitate our *highways and main, community and farm-to-market roads* countrywide. During 2002, we commenced the process to hire a contractor and consultant for the reconstruction of the Mahaica to Rosignol road link and to start pre-feasibility studies for an alternative route to the Airport. Also, we engaged consultants to study and design the construction of a four-lane Highway from Demerara Harbour Bridge to the Ruimveldt Police Station and to rehabilitate the West Demerara arterial road from the Demerara Harbour Bridge to the Best Hospital Complex. With respect

to the minor roads, we completed reconstruction and/or rehabilitation works on roads in areas such as Vergenoegen, Anna Catherina, No. 47 Village, Cane Grove, Golden Fleece, Dartmouth, Sarah Lodge, Glasgow, Agatash, Karasabai, Ituni, Kwakwani, Jonestown, Bare Root, Plaisance, Rose Hall, Bush Lot, Black Bush Polder and Bartica.

3.27 We successfully completed negotiations with the preferred contractor for the reconstruction of 59 *bridges and culverts* stretching from Timehri to Rosignol, including the key Mahaica and Mahaicony River Bridges. In addition, we completed several other structures and bridges at Dartmouth, Dunkeld, Walton Hall, Greenfield, Cullen, Riverstown, Kumaka, Golden Grove, Victoria, Sophia, Tain, Moleson Creek, Kato and Sand Hills, among others. In the case of the Demerara Harbour Bridge, two large pontoons were replaced and 100 new buoys were fabricated and installed. Finally, we concluded negotiations and secured a contractor to resurface the runway of the Cheddi Jagan International Airport, Timehri and we started the process for the study and design of a new arrival terminal and upgrade of the sewerage system at the airport.

3.28 Mr Speaker, our relentless fight to stem the encroachment of the mighty Atlantic continued in 2002 with over \$1.5 billion being expended to rehabilitate and reconstruct *sea defence* structures at locations such as Bel Air, Mon Choisie, Buxton, Nos. 41 and 88 Villages, Bush Lot, Waterloo/Bath, Sara North, Maria's Pleasure, Wakenaam and Leguan.

3.29 In terms of work done to improve *drainage and irrigation* facilities in the country, we:

- completed the rehabilitation of the East Demerara Water Conservancy;
- completed the El Nino Project, which included the rehabilitation of several drainage and irrigation structures;
- expended over \$570 million to refurbish and rehabilitate numerous drainage and irrigation structures throughout the coastal belt;.
- completed revetment of outfall channels at La Union, Eversham, Borlam, Seawell and Joppa:

- constructed timber bridges and revetment at Golden Fleece, Capoey and Anna Regina;
- rehabilitated, cleaned and desilted drains and canals at Hubu, La Jalousie, Wakenaam, Leguan, Goed Intent, Sisters Village, Bel Vue, Friendship, Mocha, Beterverwagting/Triumph, Craig/Caledonia, Haslington/Grove, Buxton/Foulis, Nos. 44 and 66-74 Villages on the Corentyne Coast, Black Bush Polder and Crabwood Creek; and
- installed irrigation pumps at Manarabisi, Mibicuri and Buxron Pump Stations, among others.

## 2. Social Sector

3.30 Mr Speaker, in the *education sector*, over \$2.8 billion was expended on improving physical facilities, pursuing curriculum reform, supporting teacher training, providing school furniture, and printing essential text books. While the major Primary Education Improvement Project came to an end last year, work progressed under the Secondary School Reform Project. Among the achievements were:

- twelve of fifteen curriculum guides, including those for Agriculture Science, Home Economics and Industrial Technology for Levels 7, 8 and 9, were revised, printed and distributed;
- emergency rehabilitation works were completed on Port Kaituma Community High, Abrams Zuil Secondary, Leguan Secondary, St John's Community High, and Bartica Secondary Schools;
- furniture for teachers and students were distributed to 12 pilot schools; and
- computer hardware and software to facilitate access to the internet and to support computer-assisted learning was made available to the 12 pilot schools.

3.31 Several activities were pursued under the Guyana Education Access Project, including: construction and rehabilitation of schools such as Skeldon Line Path, Skeldon High, Tagore Memorial, Christianburg/Wismar Mulilateral and New Silver City Schools; teacher training in literacy and literacy workshops for parents in Regions 6 and 10; and making available an additional 2,940 secondary school places. The Guyana Basic Education and Training Project specifically targeted the training of

untrained and unqualified teachers in the hinterland and deep riverain areas of Regions 1, 2, 7, 8 and 9. Some 385 teachers, in subject areas ranging from Mathematics, Science, Social Sciences and English, benefitted from this training. In addition, an Education Management Programme for managers in the education system was also completed.

3.32 Mr Speaker, the Ministry of Education was able to rehabilitate St Barnabas Special School, Agricola Nursery, Stella Maris Nursery, Queen's College and Tutorial High. We commenced re-construction/refurbishing works on Winfer Gardens Primary, Uitvlugt Primary, St Sidwell's Primary, St Gabriel's Nursery and St Stanislaus College, among other schools. A new pavilion was constructed and the dining hall and dormitories were rehabilitated and re-painted at President's College. Rehabilitation works were completed at the Kuru Kuru College.

3.33 In the *health sector*, over \$314 million was expended to improve health facilities countrywide and to design a new health sector strategy for the next 5-10 years. This would include interventions in the areas of HIV/AIDS, Health Reform and Management, Health Information Systems, Primary and Maternal Health Care, and Vector Control. Cottage hospitals were refurbished at Kamarang, Wisroc, and Kato while rehabilitation works were completed on the Government Pharmacy Bond, the Linden Hospital Complex, and the Dental Unit at Matthew's Ridge. A new Polyclinic was constructed at Enmore and new health centres were constructed or rehabilitated at Lusignan, Enterprise, Morashee, Edinburgh, Black Bush Polder, Bush Lot and Calcuni in the Berbice River. Medical equipment was procured for the entire sector and vehicles were acquired for the vector control and tuberculosis units.

3.34 Mr Speaker, in the *housing sector*, the Ministry of Housing issued 4,195 house lots and processed 7,474 titles and transports. The US\$30 million, Low Income Settlement Project, which will be executed over the period 2002-2007, was formally launched. This project will significantly boost improvements in the housing sector for low-income families while providing access to affordable shelter for the wider population. Also, in 2002, over \$500 million was invested in new housing areas and settlements. Works executed included the construction of roads, drains and sanitation facilities; the provision of water distribution systems and electricity; and land



clearing, levelling and surveying. Infrastructure works were completed at Tuschen (West) while works are ongoing at Tuschen (East), Block X Diamond, Block Y Grove, Cornelia Ida, Parfait/Harmonie, Non Pariel, Enmore/Haslington, Coldingen, Mon Repos and No. 77 Village. The design drawings for 10 new schemes were finalised while tenders for the construction of 8 additional schemes were advertised.

3.35 A revolving fund of \$50 million was established to build low-cost houses for low-income households. Through this programme, 134 housing units were constructed at Coldingen, Diamond, Grove, Cornelia Ida, Glasgow and No. 77 Village. We continued to work assiduously to regularise all squatter settlements and, in this regard, 33 squatter regularisation programmes were undertaken in Regions 2, 3, 4, 5 and 6.

3.36 With respect to *water and sanitation*, construction works commenced on the LBI interconnected generation and distribution network. This covers the areas between Strathspey and Cumming's Lodge. Also, work was started on the Eccles interconnected system, which will see refurbishment and the linking of the main water treatment plants and the enhancement of the distribution network between Eccles and Friendship. In addition, construction works commenced on the rehabilitation of the Bartica treatment plant. Meanwhile, new distribution mains and replacement lines were installed at Wakenaam, Leguan, Meten-Meer-Zorg, Parika Backdam, Nabacalis, Haslington North, Iverness to Friends Retreat, Abary to Fellowship, Lesbeholden, Albion, Crabwood Creek, Ulverton to Whim, West Watooka, Amelia's Ward and Wismar, among other areas.

### 3. Poverty Programme

3.37 Mr Speaker, we successfully completed the implementation of SIMAP 11 and Basic Needs Trust Fund (BNTF) 111 projects and concluded negotiations for successor programmes. The implementation of these two programmes received very favourable reviews from their respective multilateral donors and, in the case of the BNTF, Guyana's programme was identified as the best managed and implemented throughout Caricom. These programmes targeted mainly the rural, hinterland, riverain and depressed communities. They involved the construction and rehabilitation of

schools, health centres, clinics, health huts and libraries; rural sanitation and environmental enhancement; training and skills' development at the technical and vocational levels. In addition, through the Ministry of Human Services and Social Security, we expended in excess of \$700 million on poverty-related activities.

3.38 Further to these interventions, we continued with our Urban Development Programme. Over \$900 million was spent to improve municipal and township roads, markets and drainage facilities, among other physical development works.

## **H. Institutional Development and Reform**

### **1. Financial Sector**

3.39 Mr Speaker, Guyana acceded to the Caribbean Financial Action Task Force (CFATF), following passage of the Money Laundering Act. As a result, the country can now access critical technical assistance to update the country's financial system and help in the fight against money laundering. The process to establish the Financial Intelligence Unit, to implement the Act, commenced. The comprehensive amendments to the Financial Institutions and Bank of Guyana Acts, to give the Bank of Guyana the authority to, among other things, prohibit loans for the purchase of own shares and specify statutory liabilities of directors of financial institutions, were delayed in order to allow the Bank to complete its supervisory strategy.

3.40 In keeping with the decision of the Court, the Bank of Guyana advertised for, and subsequently appointed, an Administrator to undertake the reorganisation of Globe Trust Investment Company Limited.

3.41 The privatisation of two state-owned financial institutions was substantially advanced in 2002. Ninety percent of the share capital of GNCB Trust was sold for US\$2.3 million and transferred to the new owner in November. The remaining 10 percent is reserved for the workers. The business of GNCB was sold to a commercial bank, National Bank for Industry and Commerce (NBIC), for US\$14.1 million. The privatisation was completed earlier this month. The Government offered a compensation package of \$211 million to the workers, many of whom were re-hired

by NBIC. With the completion of the privatisation of GNCB, the Government has effectively divested itself of all of its holdings in the financial sector.

3.42 Finally, the Securities Commission was established, the regulations to operationalise the Commission have been gazetted, and a Chief Executive Officer has been appointed earlier this year. All of these actions form the basis for the start up of the Guyana Stock Exchange. Also, a Commissioner of Insurance was appointed late last year to revamp the insurance sector and administer the modern insurance legislation that was enacted in 1998.

## 2. Debt Management

3.43 Mr Speaker, the Government continued its quest to achieve a sustainable debt stock and debt service. Compared to 2001, debt service of US\$42.7 million in 2002 represented a reduction of 19 percent. The debt stock increased slightly by 3.5 percent to US\$1.24 billion, largely as a result of the disbursement of concessionary loans for development projects.

3.44 In September 2002, a new, three-year credit, under the Poverty Reduction and Growth Facility (PRGF), was approved by the International Monetary Fund (IMF) to help the Government to undertake the reforms identified in the PRSP. The amount of the credit is US\$73 million, of which US\$7.3 million was disbursed immediately. In December 2002, the World Bank approved an interest-free Poverty Reduction Strategy Credit of US\$16.76 million for a similar purpose. The Bank proposes to loan Guyana US\$25 million over the period 2002-05 to finance the PRSP. Another credit for US\$4.76 million was approved for strengthening institutional capacity to monitor and evaluate progress in implementing the poverty agenda.

3.45 The approval by the IMF was an important step towards meeting the completion point for the Enhanced Heavily Indebted Poor Countries (EHIPC) Initiative, when Guyana will benefit from an additional US\$590 million in debt relief. While the completion point should be met in 2003, many creditors have been granting Guyana debt relief on its debt service obligations that have become due. The Government is thankful to the Inter-American Development Bank (IDB) and the

European Union (EU) for their decision, in late 2002, to provide interim relief, and to the Government of Norway for making US\$2.7 million available so that Guyana could repay a significant part of its non-concessional debt with the World Bank. Interim debt relief amounted to US\$22.3 million in 2002.

### 3. Public Sector Modernisation

3.46 Mr Speaker, Government, with assistance from the Inter-American Development Bank (IDB), embarked on a one-year Public Sector Modernisation Project that entails a thorough examination of the way Ministries conduct their business. The project, which started in March 2002, has concentrated on establishing a public sector vision, governance structure, and performance measurement and reporting. Twenty-two (22) Ministries were assessed and a diagnostic report was prepared on their mandatory, functional and operational effectiveness.

3.47 Progress was made towards improving expenditure management and control in the Government sector. Among activities that were pursued in 2002 were: preparing new financial management legislation; developing modern comptrollership functions; exploring options for a computerised financial and accounting system; developing training modules; and undertaking training. A third phase of the Guyana Economic Management Programme (GEMP) was signed in September. This phase will help the Government to produce plans, programmes and budgets that are reflective of its priorities and provide decision-makers with improved information in the management of the country's resources.

3.48 In response to the Government's request for technical assistance, an IMF mission, in collaboration with the Caribbean Regional Technical Assistance Centre (CARTAC), undertook a diagnostic study of Guyana's tax system, with a view of reforming it and improving tax and customs administration. The Report was completed last year and submitted to the Government.

3.49 A Procurement Bill was introduced in, and passed by, this House last year. This Act, which replaces the much maligned, existing legislation seeks to regulate the purchase of goods, services and construction. Also, it promotes competition among

suppliers and fairness and transparency in public procurement. A National Procurement and Tender Board will administer the Act.

3.50 The Tourism Authority Bill was passed in May 2002 and this paved the way for the establishment of the Guyana Tourism Authority. The Authority will be managed by a Board and will be responsible for executing Government policies in the sector.

3.51 Other activities undertaken during 2002 included:

- A review of the operations of the Guyana Post Office Corporation with a view of improving services and developing the capabilities of the staff; and
- The merger of the two main water providers, Guyana Water Authority and the Georgetown Sewerage and Water Commissioners, which resulted in the creation of the Guyana Water Inc. (GWI). The new entity is now responsible for the provision and delivery of potable water throughout the country. A five-year management contract was signed between the Government and a UK-based firm to manage the GWI.

## Agenda 2003: Key Tasks, Policies and Programmes

4

### **A. Overview**

4.1 Mr Speaker, political stability is a prerequisite for economic development. The two go hand in hand. The political instability and the accompanying security situation that afflict our country, continue to have a negative impact on economic growth, job creation, and the image of Guyana as a destination for foreign direct investment. Indeed, the success of the implementation of the 2003 agenda is predicated on returning the country to stability and providing a favourable environment for growth and the creation of opportunities for every Guyanese. With this in mind, the 2003 agenda will focus on: improving the political climate; maintaining a stable macroeconomic environment; modernising the traditional growth sectors; promoting new growth areas; improving the financial, institutional and regulatory framework; rehabilitating and expanding the physical and social infrastructure; developing our human resources; creation of sustainable employment; and improving accountability, transparency and governance structures.

### **B. Improving the Political Climate**

4.2 Mr Speaker, the continued absence of the main opposition party from Parliament is a testimony of the continued political stalemate that faces our country. That this stalemate has contributed to the fracture of the social fabric and created an occasion for violence, crime and insecurity is an understatement. The issue at hand is to find a practical solution through which we can return the country to normalcy and create a conducive environment for the development of our natural resources, the generation of economic growth, and the creation of jobs for our youth.

4.3 It is in this context that the Government supports the initiatives of the Secretary General of the Commonwealth to bring the major political parties together. The initiatives currently underway to allow for constructive engagement between the major parties are a step in the right direction. His Excellency President Bharrat Jagdeo is committed to an early meeting with the new leader of the main Opposition party. Also, Mr Speaker, the constitutional reforms have provided a framework for inclusive

government through the creation of various committees and commissions. The provisions of that reformed constitution must be implemented. The Government will continue to explore every avenue and opportunity to bridge the political divide between the parties.

#### **C. A Stable Macroeconomic Environment**

4.4 We will continue to implement policies and take the necessary actions to sustain the macroeconomic fundamentals. In this regard, Agenda 2003 will promote growth in the context of low inflation, a relatively stable exchange rate and competitive interest rates.

#### **D. Modernising the Traditional Sectors**

4.5 Mr Speaker, last year, I alluded to plans for the re-organisation, restructuring and modernisation of the traditional sectors. As you are aware, these sectors have contributed immensely to the growth and development of the country. However, in recent times, they have encountered difficulties that, in many cases, appear to threaten their continued existence. We are convinced that the strategy that we are implementing will improve their competitiveness, and increase production, exports and incomes.

##### **1. Sugar**

4.6 Mr Speaker, the Government will take all necessary steps to ensure the profitability of the sugar industry. In this regard, the Guysuco expansion plan, which will see the establishment of a modern sugar factory at Skeldon, is well underway. A number of bids for the construction of the state-of-the-art factory, which will have a capacity of 110,000 tonnes of sugar per year, are being evaluated and it is expected that a contract will be awarded during the first half of this year. Clearing of the project site has begun already in preparation for construction works later in the year. We will implement measures to enable Guysuco to have access to the funding required for its capital investment programme and working capital. Further, we will introduce a new management contract, with an incentive structure that emphasises profitability in a

sustainable manner, and legislation for a new cane payment system. These steps would ensure that our sugar industry remains viable and contributes more to the national economy.

## 2. Rice

4.7 Mr Speaker, the rice industry has been experiencing difficulty in recent times. A number of circumstances, including adverse weather, disease, shrinking preferential markets, depressed market prices, and farmers' and millers' indebtedness, have conspired to reduce its contribution to output, employment and income. The Government, in recognition of the industry's importance to national development, has been supporting its restructuring and reorganisation. It has designed an assistance package for nearly 1,200 rice farmers who owe small amounts – \$10 million or less - to the commercial banks. The Government has reached agreement with the commercial banks to help rice farmers who owe more than \$10 million, provided that the money borrowed was invested in rice.

4.8 At another level, the Government has been working to secure financial assistance from the European Union for a comprehensive restructuring of the rice sector. In July 2002, the findings of a diagnostic study of the rice industry were presented to various stakeholders. This led to a National Plan of Action, which is to be implemented over 10 years. The plan is geared towards increasing the efficiency and competitiveness of the industry while preparing it to meet the challenges of a globalised and liberalised environment. It is anticipated that about 40 million euros would be approved in 2003 to finance the national plans of Guyana and Suriname.

## 3. Bauxite

4.9 Mr Speaker, the Government has made significant progress towards the restructuring and eventual privatisation of the bauxite industry. The merger of Bermine and Aroaima was effected in September 2002 and this offers the best hope for the continuation of bauxite operations in Berbice. In a novel separation package, which cost \$215 million, workers at Bermine were offered severance payments, in keeping with the legal provisions, a training grant, and, in some cases, land for



housing and business ventures. In addition, 60 former workers of Bermine were re-hired by the new management at higher emoluments.

4.10 In the case of Linmine, the Government signed a memorandum of understanding with Cambior Inc, on June 6, 2002, which should see the privatisation of Linmine during this year. Subject to the approval of a bankable feasibility study, the injection of US\$10 million in equity by Cambior Inc, and the securing of US\$20 million in third-party financing, Cambior Inc will acquire 70 percent of the shareholding in the new company that will be formed to undertake bauxite operations in the Linden area. The Government will retain 30 percent of the shares. In preparation for this event, the Government has agreed to a generous separation package-costing \$1.2 billion-for the 1250 workers of Linmine.

4.11 In addition, Linmine and Omai Gold Mines Limited (OGML) have reached agreement for the latter company to undertake stripping and mining activities, in order to establish the desired lead-time between stripping and mining. Further, in February 2003, an interim joint management committee, comprising three officials each from Linmine and Cambior Inc, was appointed to help Linmine to stabilise its operations and ensure that it retains its market share. In particular, Cambior Inc will provide expertise in the areas of metallurgical recovery, material handling, preventative maintenance, and kiln management.

#### **E. Promoting Growth in Non-Traditional Areas**

4.12 Mr Speaker, while agriculture has long been the backbone of the economy, the bulk of the sector's contribution has come from sugar and rice. Yet, non-traditional agriculture has always had the potential to add significant value to the national product, increase foreign exchange earnings and boost employment. Government will place emphasis on exploiting and promoting the other sub sectors of agriculture. Now that Guyana has been certified free of foot and mouth disease, we will be moving aggressively to expand the beef industry. We will update the Veterinary Health legislation to internationally accepted standards and will support efforts to establish a modern abattoir, in order to facilitate the export of beef. The passage of the Fisheries

Bill last year will create opportunities for the export of fisheries products to the European Union, North America and the Caribbean.

4.13 The organic agriculture programme, with emphasis on cocoa, pineapple and heart of palm, will be accelerated to take advantage of growing niche markets. Also, farmers will be technically equipped to produce quality fruits, such as watermelon, passion fruit, mango and papaw, for processing and export. A canning facility is to be constructed at Mainstay while agro-processing facilities will be set up in the Intermediate Savannas. In addition, a plant nursery is to be established at Black Bush Polder to introduce new crop types. Further, with assistance from the USAID, the New Guyana Marketing Corporation will upgrade its information technology capacity to improve the storage, generation and dissemination of information and will continue to provide technical support, market intelligence and logistics to its clients.

4.14 Mr Speaker, through the years, the actual performance of the manufacturing sector has lagged considerably behind its potential. When sugar milling and rice processing are excluded, the sector's contribution to GDP is quite small. Apart from the improved macroeconomic environment, the sector has already benefitted from sweeping institutional and regulatory reforms, including deepening and strengthening of the financial sector, tax incentives, and the development of an investment guide and an investment code. These have helped the sector to recover somewhat from the doldrums in which it was ensconced.

4.15 The Government is committed to supporting the sector in its efforts to improve its efficiency and competitive advantage in order to survive in an increasingly liberalised world. In this regard, the Government will, among other things:

- continue to make representation at the international level to ensure that the sector benefits from the most favoured terms;
- establish bilateral and multilateral contacts and agreements in order to expand market access and increase technology transfer;
- establish industrial estates in strategic locations, and grant more favourable leases;
- revamp the tax and incentives regimes; and

- strengthen Go-Invest to help it to more adequately perform its role of promoting and facilitating investment in the economy.

4.16 Mr Speaker, the Government has been taking a number of actions towards making tourism a dynamic sector within the economy. An enhanced package of incentives has been provided to the sector and there has been faster processing of applications for concessions. Several tourism sites have been identified and repairs and renovation have started on a few. Also, as indicated before, the Guyana Tourism Authority (GTA) was established with the passage of legislation last year. During 2003, we will continue our efforts to increase visitor arrivals and to maximise the gains from increased tourism activities. Among the actions to be taken are the: staffing and full functioning of the GTA; the development of a website on tourism; and the aggressive marketing of the country's tourism advantages in Europe, North America and the Caribbean.

#### **F. Renewal and Expansion of Economic Infrastructure to Support Investment and Growth**

##### **1. Introduction**

4.17 Mr Speaker, among the factors that rank highly in the decision of an investor to invest in a country is the state of that country's infrastructure. And, if we hold to the maxim that 'investment is the engine of growth', then it follows that the condition of the country's infrastructure can influence the pace at which the country grows. The Government has spent enormous sums of money on repairs and rehabilitation of the infrastructure, largely because of the extended deterioration that occurred in the pre-1992 period. While we have focused mainly on extending its life, we will increasingly turn our attention to expanding the capital stock as a means of creating opportunities and market access. In turn, this would support our poverty reduction strategy through the generation of employment and income.

## 2. Agriculture

4.18 Mr Speaker, under an Italian Line of Credit, we will commence procurement of over \$900 million worth of heavy earth moving equipment to accelerate the drainage and irrigation (D&I) programme. Under the \$1 billion, IDB-financed Agricultural Sector Support Project, we will conduct design and feasibility studies of existing and new D&I areas, reorganise the land management and administration systems, and undertake aerial, mapping, geodetic and cadastral surveys. The Poor Rural Communities Support Services Project also provides resources for the rehabilitation of D&I infrastructure in the project's catchment area as well as the upgrade of support services and facilities. Other D&I works that are programmed for this year are:

- the installation of 2 diesel pumps at Mibicuri and Dawa;
- the construction of sluices at Belfield, Westbury and Leguan;
- the rehabilitation of a sluice at Golden Fleece and canals at Manarabisi; and
- the rehabilitation of drains, canals and structures in areas such as Pomeroon, Lima, Dartmouth, Reliance, Wakenaam, Leguan, Herstellling, Plaisance, Buxton, Mahaica, Mahaicony, Bellamy, Whim/Lancaster and Linden.

4.19 Mr Speaker, in terms of sea defence, an amount of \$533 million has been earmarked for the reconstruction and rehabilitation of the most vulnerable stretches of our shoreline, including Profitt/Foulis, Tuschen, DeKinderen, Hague, Johanna Cecilia, Buxton, Annandale, Bushy Park, Gangaram, Blenheim and Nos. 76-83 Villages. Also, during this year, we will complete negotiations with the CDB for a loan of \$582 million to re-construct 300 metres of sea defence at Profitt/Foulis. We will undertake a comprehensive programme of shorezone management, as part of the long-term plan to protect our sea defence infrastructure.

## 3. Transport and Communication

4.20 During this year, we will spend about \$1.3 billion on the re-surfacing of the stretch of main road between Mahaica and Rosignol. The estimated cost of this project is \$4.4 billion, with the bulk of the financing coming from the IDB. Also, we

will commission a feasibility study on an alternative access road from Georgetown to Timehri and will commence design work for the rehabilitation of the Corentyne Highway, from New Amsterdam to Moleson Creek. With financial assistance from the CDB, we will start the construction of a 4-lane highway from the Demerara Harbour Bridge leading into the City. In addition, we will resurface the Demerara Harbour Bridge, the Houston Bypass Road and parts of Mandela Avenue, and will widen and rehabilitate the West Demerara Road, between the Demerara Harbour Bridge and the Best Hospital. The project also includes the installation of traffic control devices, signage, improved drainage, road lighting, dedicated cycle lanes adjacent to the sidewalk, a study on road maintenance, and a road safety and weight control programme.

4.21 An amount of \$470 million has been budgeted to repair and rehabilitate a number of community roads throughout the country. In particular, work will be executed on roads in areas such as Matthew's Ridge, Port Kaituma, Anna Regina, Dartmouth, Leonora, Goed Intent, Goed Fortuin, Bare Root, Haslington, De Hoop, Ithaca, Rosignol, Moleson Creek, Agatash, Black Bush Polder, and Bartica/Issano/Mahdia. Funding has been provided under SIMAP III to rehabilitate the East Canjie Road while a part of the resources under the BNTF programme will be used to repair roads to be identified during countrywide community consultations.

4.22 Mr Speaker, we will start a major Bridges Rehabilitation Programme this year. Under this \$4.2 billion project, 59 bridges between Timehri and Rosignol will be reconstructed. This project is expected to last 2 years and will see the complete reconstruction and re-alignment of the Mahaica and Mahaicony River Bridges. Outside of this programme, over \$100 million is earmarked to conduct minor rehabilitation works on bridges at locations such as Moruca, Karasabai, Riverstown, Zeelandia, Kuru Kururu, and Hopetown. The construction of the Berbice River Bridge remains a top priority of the Government and we will continue to search for an appropriate financing arrangement that would see the early realisation of this project.

4.23 In air transport, we will continue to improve the condition and aesthetics of the country's only international airport. Under the Air Transport Reform Project, \$798 million has been budgeted to commence the resurfacing of the runway, the re-

construction of the in-coming terminal, the refurbishment of other facilities, the rehabilitation of the sewage system, and the installation of aviation equipment. Another \$62 million will be spent on improving coastal and hinterland airstrips. In terms of our waterways, the sum of \$225 million has been programmed to dredge our main rivers, repair dredges, install buoys and beacons to improve river safety and navigation, and repair motor vessels Bonasika, Torani and Kimbia.

#### 4. Telecommunications

4.24 Mr Speaker, in today's interdependent and globalised world, it is important that we access modern systems of communication and interconnectivity. In recognition of this, the Government has taken a number of actions to ensure that Guyana and Guyanese do benefit from the telecommunications revolution. With assistance from the IDB, it has begun the process leading to the liberalisation of the telecommunications sector in the country. This is crucial to advancing the emerging information technology sector, which has been targeted as a new growth area.

4.25 However, further progress was stalled because of legal actions brought by the leading operator in the sector. This led to the postponement of approval of a US\$18 million loan by the IDB. This financing represents the bulk of a US\$22.5 million information and communication (ICT) project that the Government has formulated to increase competitiveness and accelerate economic and social development. The project would result in, among other things: greater ICT use between the public and private sectors; modernisation of government operations, including its interactions with the citizenry; and creation of an enabling environment for ICT development. Now that the legal impediment has been removed, it is our hope that processing of the loan will resume, with a view to its early approval. We would also use the opportunity to re-engage ATN and GT&T in discussions on the liberalisation of the sector.

#### 5. Power

4.26 Mr Speaker, the availability of a large supply of cheap and reliable power that is generated, transmitted and distributed in an efficient and environmentally-friendly manner, is critical to expanding production, improving productivity, catalysing

growth, and reducing poverty. However, although blessed with an abundance of rivers and waterfalls, Guyana has relied heavily on the burning of imported fossil fuels to provide the bulk of its energy needs. In fact, the import of fuel and lubricants has averaged US\$126 million or 25 percent of export earnings over the last three years.

4.27 Mr Speaker, the Government will review our energy policy to emphasise conservation and the development of alternative sources of power, including hydro, solar and bagasse, over the medium to long term. Meanwhile, the Government will continue with its programme to bring electricity to all households, consistent with its stated goal of improving the quality of life of all Guyanese. In this regard, it has secured a loan of US\$27 million from the Inter-American Development Bank (IDB) to finance a project of US\$34.4 million to connect 40,000 new, mostly poor customers, in unserved areas, to the national grid. The pace of implementation of this project would accelerate, once the future of the beleaguered power company, Guyana Power and Light, is determined.

## 6. Urban Renewal

4.28 Mr Speaker, a \$4.8 billion, IDB-financed programme of urban rehabilitation and development of towns and municipalities has been ongoing for sometime. During this year, we have budgeted to spend \$785 million on the following activities:

- the rehabilitation of Hadfield and Cactus Streets in Georgetown, Smithfield and Market Stelling Roads in New Amsterdam, Middle and First Streets in Rose Hall, Jackson and Crown Streets in Corriverton, Greenheart Street in Linden, and School Street in Anna Regina;
- the rehabilitation of Bourda, Kitty, Bush Lot and MacKenzie Markets, and several market stalls in the New Amsterdam Market;
- the rehabilitation of New Amsterdam, Linden and Corriverton Town Halls; and
- the rehabilitation of the Georgetown Abbatoir.

4.29 In addition, under SIMAP III, construction work will begin on the Parika Vendors' Mall, Leguan Stelling, Parashara, Kildonan and Hopetown Community Centres, and the Nappi Women's Centre.

## **G. Human Capital Investment**

### **1. Education**

4.30 Mr Speaker, this year, we will commence the implementation of the new, \$7.3 billion, Basic Education Access and Management Systems (BEAMS) programme. This programme will concentrate on curriculum development and technology improvement, teacher training, institutional support, improving the managerial capacity of Education Officers, and infrastructural improvement to several primary, secondary and multilateral schools in the country. The schools that will be done in Phase I of the project are: Bygeval Multilateral, Bladen Hall Multilateral, North Ruimveldt Multilateral, Lodge Secondary, Charlestown Secondary, Tutorial High, Bartica Secondary, Parika/Salem Secondary, Wales Secondary, Aurora Secondary, and Aishalton Secondary Schools.

4.31 We will continue to implement existing programmes in education as follows:

- The Guyana Basic Education Programme, which targets teacher training at all levels, but particularly hinterland areas, through the distance education mode;
- The Guyana Education Access Programme, which includes institutional support and the re-construction of schools such as Skeldon Line Path, Skeldon High, Tagore Memorial, Linden Foundation, and New Silver City Schools; and
- The Secondary School Reform Programme, for which \$500 million is programmed to improve the delivery of education, improve school quality, and rehabilitate Port Kaituma Community High, Abrams Zuil Secondary, Bartica Secondary, Beterverwagting Community High, Rosignol Secondary, Kwakwani Community High, and Parmakatoi Community High Schools.

4.32 The sum of \$325 million is earmarked to execute rehabilitation works on nursery, primary and secondary schools countrywide, including Dora Nursery, Winfer Garden Primary, North Georgetown Secondary and St Stanislaus High Schools. Under SIMAP III, the following schools are programmed for construction this year: Hampton Court, One Mile, Watooka, Santa Rosa, and Arakaka Nursery Schools and La Harmonie Primary School. Also, a number of schools will be rehabilitated under



the BNTF V Programme. Over \$350 million will be spent on other educational facilities, including the rehabilitation of Industrial Arts Centres, teachers' quarters, and dormitories at President's College; extension of the New Amsterdam Library; and completion of the Corriverton Technical Institute.

4.33 Mr Speaker, in addition to the expenditure that has been programmed in education for this year, a number of training initiatives and opportunities abound. The Government has provided \$479 million in this Budget for formal, informal and on-the-job training. Also, resources have been budgeted for the continuation of the Youth Entrepreneurial Skills Training Programme, which graduates about 200 youths per year in diverse skills' areas such as refrigeration, plumbing, carpentry, electrical installation and welding. In addition, the European-funded Guyana Training Agency will continue to offer demand-driven training courses for personnel in the productive and service sectors. Further, Guyana will continue to benefit from the C\$5 million Caribbean Regional Human Resources Development Programme for Economic Competitiveness, which seeks to develop human resources and institutional capacity in the public and private sectors, and Non-Governmental Organisations.

## 2. Health

4.34 Mr Speaker, the implementation of a \$1.2 billion nutrition programme will start this year. This programme will promote breast-feeding among lactating mothers of babies between 0-6 months; provide micro-nutrients for young children and pregnant mothers; provide training for primary health care workers; introduce a food coupon scheme for lactating mothers from poor families; and target the reduction of anaemia. An awareness programme aimed at creating nutritional behavioural changes will be developed and promoted. The Ministry of Health will begin executing the \$600 million HIV/AIDS, Tuberculosis and Health Information Systems Project. This project would assist in strengthening the prevention, control and management of sexually transmitted infections and HIV/AIDS; improve systems for preventing and controlling tuberculosis; and enhance information flow, storage and retrieval.

4.35 In terms of the physical infrastructure in health, we have budgeted to spend \$370 million to construct an in-patient ward and to purchase medical equipment for

the Georgetown Public Hospital Corporation. Also, we will commence the reconstruction of the New Amsterdam Public Hospital. Financing has already been secured from the Japanese Government. A number of health facilities will be repaired under SIMAP III and BNTF V Programmes. In addition, \$145 million will be spent on rehabilitation works and the purchase of medical equipment and instruments for hospitals, health centres or health posts in areas such as West Demerara, Bartica, Pomeroon, Timehri, Bamboo Creek, and Morashee.

### 3. Housing

4.36 Mr Speaker, our housing programme received a significant boost with the commitment of \$1.8 billion by the European Union for a Low Income Settlement Programme. This programme, which complements the existing \$5.8 billion, IDB-funded Low Income Housing Programme, will provide an additional 4,000 house lots and regularise 1,500 housing units in squatter settlements throughout the country. Along with our local housing programme, both of these programmes will upgrade squatter settlements and develop new housing schemes in areas such as Eccles, Vigilance, Cane Grove, Parfait/Harmony, West Watooka, and Culvert City.

### 4. Water & Sanitation

4.37 Mr Speaker, during the year, we will continue to implement of a number of projects in this sector. We have set aside \$881 million to:

- complete construction of the LBI Inter-connected Water System;
- complete the Eccles Inter-connected Water System;
- complete the Bartica water network; and
- rehabilitate distribution systems at Bath Settlement, Nos. 52-58 Villages, and Eccles to Friendship, among other areas.

4.38 The civil works component of Phase II of the \$4.7 billion Guyana Water Inc project will start this year and \$229 million has been programmed to upgrade the distribution network in East and West Ruimveldt, Lamaha Gardens and Bel Air. Also, works will be executed on the water and sewage systems in locations such as Sophia,

Meadow Bank, Albouystown, and North Ruimveldt. With regards to solid waste disposal and management, we will commit \$195 million to improve the Mandela Avenue Dump Site. We are currently negotiating with the IDB for a loan of \$4 billion to construct a new disposal site at Eccles.

4.39 We have concluded arrangements with the European Union to refurbish the Linden Water System at a cost of \$170 million. In addition, we will spend \$315 million to rehabilitate coastal and hinterland 'stand alone' water systems nationwide, including those at Adventure, Lima/Sparta, Cullen to Zorg-en-Vlgt, Parika, Timehri, Kwakwani, Barker Scheme, Rosignol, Crabwood Creek, Ankerville and Mara.

## 5. Poverty Programmes and Social Safety Nets

4.40 Mr Speaker, the Government has developed a range of programmes that specifically target depressed and distressed communities, on the one hand, and the poor and vulnerable members of our society, on the other. In this regard, I am pleased to report that the Government has successfully concluded negotiations for SIMAP III and BNTF V programmes. Together, these 2 programmes will result in the disbursement of some \$5.7 billion over the next 5 years for community-based projects in areas such as roads, health, education, drainage and irrigation, environmental enhancement and waste management.

4.41 In addition, other programmes have been included in this Budget, including:

- the Poor Rural Communities Support Services Project, which is geared towards rehabilitating drainage and irrigation infrastructure, upgrading public support facilities; and providing agricultural extension and micro credit services to farmers in Regions 2 and 3;
- the locally funded Poverty Programme, costing \$200 million;
- the Linden Economic Advancement Project (LEAP), of which \$200 million has been budgeted to fund a micro credit scheme, provide vocational training, and create business incubators at Linden, among other activities;
- the Amerindian Development Fund of \$50 million for agricultural development, land demarcation, and the purchase of equipment, among others;

- the Youth Choice Initiative Programme of \$35 million for small community projects, and training of youths in technical and vocational skills;
- a textbook programme, budgeted at \$310 million, in the core subject areas- Mathematics, English, Social Studies, and Integrated Science-for primary and secondary schools' children; and
- a school feeding programme, costing \$100 million, that is geared towards improving the attendance and performance of vulnerable students at the nursery and primary levels.

## **H. Improving the Financial, Institutional and Regulatory Environment**

4.42 Mr Speaker, actions will be taken to consolidate and enhance the efficiency and soundness of the financial system. The report on the Bank's Supervisory Strategy will be completed during the second quarter of the year. The report will define, and identify measures to strengthen, the framework for supervision of both bank and non-bank financial institutions. It will also help to inform the review of, and subsequent amendments to, the Bank of Guyana and Financial Institutions Acts so as to enable the Central Bank to execute its mandate more effectively and in accordance with best international practices. In addition to these institutional changes, there will be capacity building initiatives at the Bank of Guyana, including the upgrade of supervisory skills and the strengthening of procedures. Further, there will be consultations with stakeholders in the financial sector on a recently-completed report on the feasibility of implementing a deposit insurance scheme. Also, we will complete the enabling regulations to fully implement the Money Laundering (Prevention) Act.

4.43 In addition to measures previously taken to improve the investment climate in Guyana, the Government will bring to this House legislation for an Industrial Development Authority Act, which will be responsible for the development of industry and the development and management of industrial estates, and a Free Zone Act. Further, in an effort to promote a fairer trading environment in the country, we will enact Competition Commission legislation and an E-Commerce Act to govern internet trade. Also, Consumer Protection legislation is being developed that will outline, among other things, the rights of consumers.

4.44 A policy paper has been developed to help improve property rights, increase land ownership to the poor, and ensure that transparent criteria are employed in the distribution of house lots and the allocation of state land. It specifies in detail the steps to be taken, the procedures to be followed, and the appeals' mechanism to be utilised in the process. Also, it identifies the entities that would be involved, including the Cabinet, in the case of land application by overseas investors, the Central Housing and Planning Authority, and the Guyana Lands and Surveys Commission. The Deeds Registry, whose operations are being fully computerised, is expected to facilitate the speedy processing of land title deeds. The paper has been tabled in this House for debate and approval.

## **I. Fostering Greater Accountability and Transparency**

### **1. Public Sector Reform**

4.45 Mr Speaker, the one year, IDB-financed Public Service Modernisation Programme (PSMP) is expected to conclude this year. All seven phases have been completed. What remains is the completion of the Consultant's Final Report, which will be used as input into the design of a major modernisation project.

4.46 The Government is working towards the implementation of its Poverty Reduction Strategy (PRS). To effectively and timely implement the Strategy, the Government has established the Programme Coordination and Policy Monitoring Unit (PCPMU) at the Office of the President. The PCPMU is charged with: coordinating PRS programmes across donors, line ministries, and civil society; identifying constraints and lessons learned in the implementation of the poverty reduction programme, undertaking policy analysis and proposing recommendations for improving the framework of programme implementation; and monitoring the PRS structural reforms within the context of the Poverty Reduction Support Credit and the Poverty Reduction and Growth Facility.

4.47 The Government has secured a grant of US\$1 million from the IDB to assist in strengthening and modernising the public investment and project management system. Among activities to be undertaken are: financing pre-investment studies; training

personnel who are involved in the project cycle; and upgrading information systems for more effective and efficient decisions on public investment. This would allow us to effectively monitor and evaluate projects in the context of our poverty reduction strategy.

## 2. Integrated Financial Management and Legislative Review

### a. Budget and Treasury Management

4.48 Mr Speaker, with assistance from CIDA, under the Guyana Economic Management Project (GEMP), the Government has implemented a range of budgetary reforms, foremost among which was the introduction of programme budgeting in the Government sector. During this year, the focus will be on improving treasury accounting and management. In this regard, a modern, fully computerised, off-the-shelf Integrated Financial Management and Accounting System (IFMAS) will be procured, installed and tested. When this system becomes fully operational in 2004 it would address the current inadequacies of the budget and accounting functions of the Government. In the interim, the upgrading and testing of a temporary Automated Budgetary and Treasury Control System has been completed.

4.49 Best practice exercises are being conducted in areas of treasury accounting, work planning and budgeting. This process involves reviewing the current procedures and comparing them with regional and international standards. Other aspects of the GEMP that will be pursued include the development of a responsibility and accountability framework, programme performance review methodology, and reforms to the presentation and reporting of the Estimates.

### b. Review of Financial Legislation

4.50 In an effort to provide a modern legislative framework for the upgraded accounting, budgeting and financial practices, draft legislation has been prepared and the process of discussion and consultation will start soon. The new Fiscal Management and Accountability Act will seek to regulate the preparation and execution of the national budget; the receipt, control and disbursement of public funds; the accounting for public money; and provide for other matters connected with

or incidental to the transparent and efficient management of the country's financial assets. A new Audit Act will also be promulgated.

c. Improved Oversight of Public Financial Management

4.51 Mr Speaker, the Government has agreed to invest the recently created Parliamentary Sectoral Committee on Economic Services (PSCES) with powers to oversee the public sector's financial management practices. It will provide the necessary financial support to the Committee to help it to build capacity to undertake its functions. Also, Mr Speaker, the Government is committed to strengthening the system of public disclosure for public officers and, in this context, will strengthen the Integrity Commission so as to allow that body to execute its functions effectively. The Auditor General's Office will provide technical, analytical and enforcement support to the Commission. In addition to the new Audit Act, the independence of the Auditor General's Office will be entrenched further with the adoption of a new procedures manual and a reorganisation plan.

3. Public Procurement and Tendering

4.52 Mr Speaker, earlier I indicated that the Government passed modern procurement and tender legislation last year. However, the implementation of the new law was delayed in order to take on board additional representation and comments from interested stakeholders. The product of this engagement has been agreement on a number of amendments to be made to the Procurement and Tenders Act. These amendments will be tabled shortly and the Act will become operational later in the year. The new Act, among other things, will increase the tender limits, provide for greater transparency in the process, and would recognise the overarching role to be played by the constitutionally-created Public Procurement Commission.

4. Reform of the Tax System

4.53 Mr Speaker, the Government has completed a detailed examination and assessment of tax administration and the need for tax reform. In our view, such reforms should aim to accomplish four broad objectives: revenue neutrality; stimulation of investment and savings; oriented towards growth; and support poverty

reduction. This year, we will institute tax reform and administration measures in pursuit of those objectives.

## 5. Debt Management

4.54 Mr Speaker, Guyana expects to reach the completion point for the EHIPC during the year. This would pave the way for a significant reduction of the stock of external debt to under US\$1 billion and provide, at the same time, significant additional resources to implement our poverty reduction programme. In spite of this relief, the net present value of total debt to revenue ratio is projected to remain high. This indicates that renewed efforts must be made in the post-EHIPC period to reduce the amount of domestic revenue that is used to service debts.

4.55 Equally important, Mr Speaker, is the management of the domestic debt. As discussed earlier, the Government has succeeded in lowering inflation and domestic interest rates in order to encourage private investment and output. This was achieved partly through the management of the excess liquidity in the banking system. It is this exercise that has been mainly responsible for the increase in the domestic debt. However, although the stock of debt has been rising, its servicing has been falling as a result of the continuous decline in the Treasury Bill rates.

## J. Job Creation

4.56 Mr Speaker, throughout my presentation, I have been stressing that the policies, programmes and measures in this Budget are geared towards promoting growth and creating jobs in pursuit of our objectives of reducing poverty and increasing the standard of living of our people. The creation of a stable macroeconomic and political environment, the progressive improvement in the business climate, and the increased availability of credit to the private sector would generate increased private sector activity in the various sectors of the economy. It is no surprise, therefore, Mr Speaker, that for 2003, private investment that is facilitated by Go-Invest is expected to grow to nearly \$18 billion in diverse areas such as fresh food, energy, wood, tourism, light manufacturing, textiles and garments, handicraft,



services, information and communications technology, housing, and infrastructure. Over 2,800 jobs and a number of job opportunities will be created.

4.57 The second source of employment derives from the micro-enterprise sector. Mr Speaker, the Government is committed to the promotion of entrepreneurship and views the development of small business as an important component of our strategy to create sustainable employment and reduce poverty. I am heartened by the progress made and the role being played by the institutions in the sector. During 2002, the Institute of Private Enterprise Development (IPED) financed 4,352 medium, small and micro loans, amounting to \$669.7 million, in the process creating and/or sustaining 7,113 jobs. The Institute expects to expand its portfolio this year, which will result in more jobs being created. Also, I wish to acknowledge the newly-formed Small Business Development Finance (SBDF) which has been created to provide small businesses and low income enterprises with an additional avenue for credit and technical support.

4.58 In an effort to facilitate and promote the growth of the micro-enterprise sector, the Government will table the Guyana Small Business Act this year. Not only would this give signal recognition to the contribution this sector has made, and is expected to make, to the economy, but also it will allow small businesses to enjoy concessions and incentives that are not currently available to them. Also, through a US\$1.5 million, three-year UNDP/Private Sector initiative, specialist training will be provided to about 250 entrepreneurs in small and medium scale enterprises. The project, which will be implemented by the Guyana Manufacturers' Association (GMA), will target men, women, indigenous entrepreneurs, youth, the unemployed, school leavers, and private and public sector employees wishing to start their own businesses. The European Union has also made available \$600 million to assist grassroots organisations to identify projects, generate income and create employment.

4.59 Yet another area of employment creation emanates from the public investment and maintenance programmes. The PSIP (net of transfers) for 2003 is budgeted at \$24 billion. Provision has been made for the start of some very large projects such as the Bridges Programme, roads, drainage and irrigation and sea defence, and the Skeldon Sugar Estate Project. In addition, the Government's current maintenance programme

is budgeted at \$1.5 billion. Further, major projects, such as the New Amsterdam Public Hospital and the Convention Centre at Turkeyen will start this year. The execution of these projects will generate a number of new jobs for unskilled, semi-skilled and skilled persons.

4.60 Finally, Mr Speaker, we will continue the labour intensive Temporary Employment and Maintenance Programme (TEMP) that was initiated last year. This programme, which was successfully implemented during the preparations for the Caricom Heads of Government and other Meetings held last year, is oriented towards beautifying and enhancing the environment, including cutting grass, cleaning drains, painting bridges, and removing derelicts. At the same time, it provides temporary employment to a wide cross section of persons from various parts of the country.

## **K. Governance, Crime and Justice**

### **1. Governance**

4.61 Mr Speaker, besides the reforms to the Constitution in 2000, another initiative aimed at deepening our fledgling democracy is that of empowering local government bodies to manage their affairs. The Government is providing valuable financial, technical and managerial support to equip these bodies with the necessary skills and capacity building mechanisms to adequately perform their enhanced role. Also, we have budgeted \$258 million in project development assistance to help the 65 Neighbourhood Democratic Councils to undertake small capital works. Further assistance will be forthcoming from Canada, through a 5-year, \$590 million Municipal Governance and Management Programme. This project seeks to strengthen local governance and management in the 6 towns while fostering equity, security, inclusion, collaboration and sustainable development in Guyana.

### **2. Crime and Justice**

4.62 Mr Speaker, following the upsurge in criminal activities, the Government instituted a multi-faceted approach to fight crime. It initiated broad-based consultations on crime with a view of eliciting the widest participation in crime

solving. It introduced new laws and updated existing legislation to, among other things, make prosecution and conviction easier, prevent criminal violence and destruction to property, and increase the penalties for certain types of offences. Also, it intensified collaboration and co-ordination among the agencies of the Joint Services. Further, the budgetary allocation of the Security Sector was supplemented and funds were made available to the Police to enhance the welfare package of dependants of slain police officers. These efforts have begun to achieve some success, as evident by the drop in the report of serious crimes in recent months.

4.63 Mr Speaker, we will not rest until the scourge of crime is removed from our society. Therefore, we have made crime fighting one of the top priorities of this Budget. In this regard, we have set aside \$7.2 billion to be expended on national security. In addition, we are working with a number of bilateral donors who have expressed an interest in providing various forms of assistance. Further, we have approached the IDB for a loan of US\$10 million, which will be used to reform the Guyana Police Force, among other activities. The Government will move to establish a National Commission on Law and Order.

4.64 The Government will continue to pursue initiatives and take action to improve the justice system in Guyana. This is because we view judicial reform as important to the consolidation of democracy, the administration of justice and the upholding of the rule of law in the country.

## Economic and Financial Targets in 2003

5

### **A. Real Sector Projections**

5.1 Mr Speaker, we have conservatively estimated that real GDP will grow by 1.2 percent in 2003. This projection takes account of the positive developments expected in sugar and rice, and the outlook for growth in the world economy.

#### **1. Agriculture**

5.2 Mr Speaker, sugar production is projected to grow by 2.9 percent to 340,552 tonnes, continuing the upward trend that has been observed over the last three years. The improvements and expansion that have been undertaken under the Agricultural Improvement Plan will continue to redound to the benefit of the industry. Rice output is expected to increase by 3 percent to 296,388 tonnes, reversing the almost 11 percent decline in 2002. The ongoing reorganisation and restructuring of the industry, increased acreage under cultivation and favourable weather conditions would have a positive impact on production and productivity. Based on the additional capacity and the increased demand for poultry meat, the livestock sector is expected to grow by 5 percent. Other agriculture is projected to increase by 3 percent.

#### **2. Industry**

5.3 The mining and quarrying sector is programmed to fall by 7.1 percent, reflecting declining gold production at Omai Gold Mines Limited and the delayed recovery in the bauxite industry. Declaration of raw gold is projected to decline by 9.3 percent to 414,105 ounces, with the output of Omai and the small miners declining by 11.1 percent and 4.3 percent respectively. Output of diamonds is expected to remain flat. Bauxite production is budgeted at 1,613,000 tonnes, a reduction of 1.1 percent.

5.4 Robust growth of 4.7 percent is expected in the engineering and construction sector, led by the implementation of major projects in the Public Sector Investment Programme and the growth in private construction, especially in housing, where the

Government has distributed thousands of house lots. The manufacturing sector is projected to grow by 3.0 percent, continuing the positive growth of 2002.

### 3. Services

5.5 Mr Speaker, with the exception of Government, all services are budgeted to increase. Growth in transport and communication is pegged at 3.0 percent and is based on continued expansion in the telephone industry and increased access to interior and other remote locations. The other sectors under 'services' are expected to perform as follows: distribution, 2.6 percent; rent of dwellings, 2 percent; financial services, 1.5 percent; and other services, 1 percent.

### B. Inflation and Monetary Policy

5.6 Mr Speaker, an inflation rate of 5 percent is targeted for 2003, reflecting adverse price developments in utilities and the 'feed through' of prices from imported fuel. As in previous years, the thrust of monetary policy will be to achieve the inflation target, promote the expansion of private sector credit, maintain a relatively stable exchange rate, and meet our balance of payments and official international reserves objectives. Broad money is projected to grow slightly faster than inflation and output.

### C. Balance of Payments

5.7 Mr Speaker, reflecting mainly the substantial increase in the price of fuel and the expansion of imports for the public sector, on account of a larger PSIP, the current account deficit of the balance of payments is programmed to decline to US\$154.3 million, from US\$106.7 million in 2002.

5.8 Merchandise exports are projected to increase by 4.1 percent to US\$515 million. Earnings from sugar are expected to increase by 13 percent to US\$135 million while those from 'other' exports are budgeted to rise by 15.3 percent to US\$137 million. Bauxite and rice are expected to earn US\$39 million and US\$47 million, respectively, a slightly better performance than last year. On the other hand,

receipts are projected to decline by 6.1 percent to US\$128 million, in the case of gold, and by 27 percent to US\$26 million, in the case of timber. Merchandise imports are budgeted to rise by 14.2 percent to US\$643 million. Growth in fuel and lubricants is projected at 7.9 percent to US\$135.7 million while other imports are expected to rise by 16 percent to US\$507.3 million.

5.9 Net services are projected to improve by 9.6 percent to –US\$71 million, on anticipation of Guyana meeting the completion point of the EHIPC initiative. On the other hand, net nonfactor services are projected to double. Private transfers are expected to grow by US\$4.7 million to US\$44.7 million. A slight improvement in the capital account of US\$1.6 million is anticipated, reflecting higher disbursements for public sector projects and increased private sector investment. The overall deficit of the balance of payments will decline to US\$64 million, from US\$25.1 million in 2002, and this will be financed by debt relief and the reserves of the Central Bank.

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

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

5.10 Mr Speaker, the conservatism that informed the growth rate and other projections has also infused the setting of the fiscal targets. Current revenue (net of Rice Levy) is expected to grow by 3.2 percent to \$46 billion. The GRA is budgeted to increase its share of revenue to 92.4 percent, in collecting \$42.5 billion, reflecting sustained efforts to reduce smuggling and tax evasion, and reforms to tax administration in the two departments. The target for the Internal Revenue Department is set at \$22.3 billion while that for Customs and Trade Administration is \$20.2 billion.

5.11 Current expenditure (net of Rice Levy) is projected to rise by \$1.7 billion to \$49.9 billion. Personal emoluments is budgeted at \$16.9 billion; other goods and services, \$11.8 billion; and transfers (including transfers to Linmine), \$13.4 billion. Interest payments are estimated at \$8 billion. Of this amount, external interest is budgeted at \$5 billion while domestic interest is targeted at \$3 billion, reflecting the continuation of the favourable developments in the Treasury Bill rate.

5.12 Capital expenditure is expected to rise to \$22.2 billion, partly because of a \$5.4 billion loan transfer to Guysuco for the Skeldon Estate Project. These developments will cause a slight increase in the current deficit to \$4 billion, from \$3.9 billion in 2002. However, partly as a result of a change in the methodology for accounting for debt relief under the HIPC and EHIPC initiatives, grant receipts will decline to \$7.2 billion. This will contribute to the large deterioration in the overall balance after grants from \$8 billion (5.7 percent of GDP) last year to \$18.9 billion (13.2 percent of GDP) this year. We expect that substantial net disbursements of \$11.2 billion and net divestment proceeds of \$2 billion will limit financing from the domestic banking system to \$5.7 billion.

5.13 Mr Speaker, the very large size of this year's budget signals our intention to continue to pursue our development agenda. **Total expenditure is projected at \$72.9 billion**, an increase of 15.9 percent over the \$62.9 billion that was realised in 2002.

## 2. Public Enterprises

5.14 Mr Speaker, the receipts of the public enterprises are budgeted to improve by 8.9 percent to \$55.1 billion, largely as a result of the expanded production and export of sugar. Operating expenses are projected to grow less slowly by 4.5 percent to \$50.5 billion. This combination is expected to result in a doubling of current savings from \$2.2 billion to \$4.5 billion. Notwithstanding the projected 20.8 percent increase in capital expenditure to \$2.1 billion, the overall surplus is programmed to increase to \$2.4 billion, from \$452 million in 2002.

## 3. Non-Financial Public Sector

5.15 The overall deficit of the non-financial public sector is budgeted at \$16.5 billion or 11.5 percent of GDP, and this will be financed largely from external loans.

## Budget Measures

6

### **A. Introduction**

6.1 Mr Speaker, consistent with the need to expand the tax base, improve the efficiency and effectiveness of tax administration, and enhance transparency and equity, the Government will implement the following tax measures this year.

### **B. Measures to Expand the Tax Base**

#### **1. Consumption Tax on Local Telephone Calls**

6.2 Mr Speaker, I wish to announce a tax of 10 percent on all domestic telephone calls, regardless of whether such calls originate from a landline, cellular telephone or fax machine. This tax takes effect from April 1, 2003.

#### **2. Increase in Withholding Tax**

6.3 Mr Speaker, I hereby announce an increase in withholding tax from 15 percent to 20 percent, on interest bearing deposits, loans secured by bonds, and any other interest income that is currently being assessed at 15 percent. Also, I wish to announce the increase in withholding tax, from 10 percent to 20 percent, on payments other than interest to non-residents. These measures take effect from April 1, 2003.

#### **3. Introduction of a Value Added Tax (VAT)**

6.4 Mr Speaker, the Government is mindful of the shortcomings of the Consumption Tax and recognises the need for the application of a more broad-based tax on the production of goods and services. The Government will, therefore, introduce a Value Added Tax by 2006 and will start the necessary preparations immediately. We are under no illusions about the difficulties and challenges that we will encounter during the implementation of such a tax, given the state of our physical and human infrastructure. Thus, we will be seeking technical assistance to ensure a successful launch of the VAT.



### **C. Measures to Improve Tax Administration**

6.6 Mr Speaker, in addition to the tax measures, the Government will make concerted efforts to improve the efficiency of the tax system and the administrative capacity of the GRA. In this regard, the Government will take a number of actions this year.

6.7 Mr Speaker, the Government will seek to enshrine, as far as possible, the incentives regime into law. This would entail amendments to the Customs Act, the Financial Administration and Audit Act and the Income Tax Act to enhance transparency and administrative efficiency.

6.8 Mr Speaker, while the Government was able to significantly increase revenue over the past 10 years, a glaring anomaly has been the small contribution made by the self-employed. We are cognisant of the efforts made by the Guyana Revenue Authority (GRA), including moral suasion, but these have met with little success. Therefore, I wish to announce that, this year, the Government will strengthen the Income Tax Laws of Guyana to enable the GRA to enforce presumptive assessments on professionals and other categories of self-employed persons.

6.9 The Government will fill a number of critical positions and review the GRA Act and regulations. In addition, the GRA would be tasked with preparing a strategic plan for information technology use; reviewing the operations of ASYCUDA; improving the collection of domestic consumption tax; improving inter-agency co-ordination to reduce smuggling and other forms of revenue leakage; and improving auditing and reporting.

6.10 Mr Speaker, to meet these demanding tasks, the Government has provided for a significant increase in the budget of GRA for 2003. Further, the Government has secured a grant of US\$300,000 from the Caribbean Development Bank to assist in the implementation of a project to upgrade the skills of the staff. In particular, a modern training division will be established and a consultant will be recruited to train trainers.

## **D. Measures to Increase Workers' Income**

### **1. Increase in Salaries of Public Servants**

6.11 Mr Speaker, the Government has repeatedly expressed an interest in developing a multi-year wage package for public servants, as this would obviate the need for annual negotiations while providing predictability and stability of the income of workers. We do not doubt that the unions might be favourably disposed to such an arrangement; however, to date, nothing has come of our efforts to conclude such a package. We would continue to engage the unions in discussions with a view of agreeing to increases in wages and salaries for the next three years and, in this regard, have invited the unions representing public servants and teachers for talks. In deference to the commencement and outcome of those discussions, we would not announce a salary increase at this time.

### **2. Increase in Income Tax Threshold**

6.12 Mr Speaker, notwithstanding the very tight fiscal situation, the Government has responded favourably to representations made by the trade unions, the private sector and others for a review of the income tax threshold. I am pleased to announce an increase in the income tax threshold from \$216,000 to \$240,000 per annum, effective from Year of Income 2003. This measure would increase the disposable income of workers and result in the removal of about 13,500 persons from filing income tax returns.

## Conclusion

7

7.1 Mr Speaker, we live in testing times. The global political environment is facing its most demanding trial in recent memory even as we speak, while the economic environment is rendered doubly uncertain as a consequence. In Guyana, we continue to encounter obstacles, encouraged by the political Opposition, that seek to slow the long strides of success we have been making and distract us from further advancement.

7.2 We Guyanese people are, however, known for our resolute nature. We have been clear in our message to the naysayers. We agree, and have said resoundingly in many ways and on many occasions, that we will not stray from the task of building our Nation through hard and honest labour, through creativity and innovation, and through steadfastness in the national interest, in every respect.

7.3 True to the indomitable Guyanese spirit, this Budget recognises the formidable challenges that lie before us, and responds with a menu of measures designed to help us to overcome these challenges and lay a firm foundation for progress and prosperity for the future.

7.4 When all is said and done, we know in our collective consciousness that, by staying on course and finding the strength and resources to confront the challenges, we will prevail as a prosperous Guyana, where all of our citizens enjoy peace and security and have abundant opportunities.

God bless Guyana!

Mr Speaker, I thank you.





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# APPENDICES



# APPENDIX I

## SELECTED SOCIO - ECONOMIC INDICATORS

INDICATORS	2002	2001	2000	1999	1998
<b>1.0 NATIONAL ACCOUNTS AGGREGATES</b>					
1.1 Growth Rate of Real GDP	1.1	2.3	-1.4	3.0	-1.8
1.2 GDP at factor cost (US\$M)	617.8	602.5	596.9	593.6	601.3
1.3 GNP at factor cost (US\$M)	562.8	550.9	552.6	524.6	545.1
1.4 Per capita GDP (US\$)	797.3	777.5	773.0	770.3	777.5
1.5 Per capita GNP (US\$)	726.3	710.9	715.6	680.8	704.8
1.6 Gross National Disposable Income (US\$M)	705.2	705.9	718.6	668.5	705.6
1.7 Private Consumption as % of Gross Domestic Expenditure	45.1	47.5	43.0	41.1	43.9
1.8 Public Consumption as % of Gross Domestic Expenditure	21.1	19.6	23.8	22.7	19.1
<b>2.0 EXTERNAL TRADE AND FINANCE (US\$M)</b>					
2.1 BOP Current Account Balance	-106.7	-128.3	-109.2	-75.2	-98.5
2.2 Imports of Goods and Non-Factor Services (G&NFS)	-758.9	-775.4	-788.9	-728.3	-775.0
2.3 Exports of Goods and Non-Factor Services (G&NFS)	667.2	655.6	674.5	672.0	688.9
2.4 Resource Balance	-91.7	-119.8	-104.1	-56.3	-86.2
2.5 Imports of G&NFS/GDP(%)	122.8	128.7	130.4	122.7	128.9
2.7 Exports of G&NFS/GDP(%)	118.6	106.8	113.0	113.2	114.6
2.8 Net International Reserves of Bank of Guyana	183.7	187.2	178.4	126.8	122.2
2.9 External Public Debt Outstanding	1,237.0	1,196.7	1,193.0	1,210.9	1,496.5
<b>3.0 PRICES, WAGES &amp; OUTPUT</b>					
3.1 Rate of Inflation (% change in Urban CPI)	6.1	1.9	5.9	11.9	4.6
3.2 Public Sector Monthly Minimum Wage in G\$(e.o.p)	21,047.3	20,045.0	19,000.0	15,000.0	11,445.0
3.3 % Growth Rate	5.0	5.5	26.7	31.1	30.0
3.4 Electricity Generation (in M.W.H)	512.7	504.8	476.9	443.2	431.2
<b>4.0 POPULATION &amp; VITAL STATISTICS</b>					
4.1 Mid-Year Population ('000)	774.8	774.8	772.2	770.6	773.4
4.2 Population Growth Rate (e.o.p)	0.0	0.3	0.2	0.5	-0.2
4.3 Net Migration ('000)	N.A	-12.0	-11.1	-12.2	-10.3
4.4 Visitor Arrivals ('000)	104.3	99.3	105.0	57.5	65.6
4.5 Crude Birth Rate (per 1,000 persons)	N.A	23.6	23.9	23.2	24.1
4.6 Crude Death Rate (per 1,000 persons)	N.A	6.6	7.2	6.6	6.5
4.7 Crude Marriage Rate (per 1,000 persons)	N.A	7.3	6.8	7.1	6.7
4.8 Infant Mortality Rate (per 1,000 live births)	N.A	17.7	21.9	25.6	22.9
4.9 Under 5 mortality Rate (per 1,000 live births)	N.A	N.A	N.A	N.A	31.3
<b>5.0 HEALTH AND EDUCATION</b>					
5.1 Public Expenditure on:					
5.1.1 Education as % of National Budget	18.2	16.5	11.7	11.6	11.9
5.1.2 Health as % of National Budget	8.8	7.0	5.7	6.7	5.9
5.2 Number of Physicians per Ten Thousand Population	4.6	4.4	3.8	2.6	4.3
5.3 Number of Nurses per Ten Thousand Population	10.5	10.5	10.4	8.6	19.3
5.4 Number of Hospital Beds per Ten Thousand Population	42.4	42.4	42.5	42.6	42.3
5.5 Low birth-weight babies (<2500g.) as a % of live births	N.A	10.5	12.7	12.2	14.1
5.6 Severely malnourished	N.A	0.6	0.5	0.5	0.8
5.7 Moderately malnourished	N.A	11.8	13.0	12.9	15.6
5.8 Overweight	N.A	4.7	4.3	4.3	4.0
<b>6.0 IMMUNIZATION COVERAGE</b>					
6.1 1 year olds Immunized against DPT Pentavalent (%)	91.0	85.0	89.0	83.0	90.0
6.2 1 year olds Immunized against measles MMR (%)	93.0	93.0	85.0	87.0	93.3
6.3 1 year olds Immunized against polio (%)	90.0	92.0	80.0	83.0	90.0
6.4 1 year olds Immunized against TB, BCG Yellow Fever (%)	91.0	94.0	93.0	91.0	92.5
<b>7.0 CRIME</b>					
7.1 Reported Serious Crimes	3,470.0	3,512.0	4,149.0	3,905.0	4,423.0
7.2 of which: Homicides	142.0	79.0	74.0	101.0	120.0

## APPENDIX II

### GROSS DOMESTIC PRODUCT AT 1988 PRICES BY INDUSTRIAL ORIGIN

SECTOR	BUDGET 2003	REVISED 2002	BUDGET 2002	REVISED 2001	ACTUAL 2000	1999	1998	1997
<b>TOTAL</b>	<b>5,600</b>	<b>5,536</b>	<b>5,583</b>	<b>5,474</b>	<b>5,352</b>	<b>5,426</b>	<b>5,269</b>	<b>5,360</b>
Sugar	1,053	1,024	953	880	846	994	790	854
Rice	183	177	206	199	180	225	209	210
Livestock	132	125	125	119	116	111	109	111
Other Agriculture	293	285	286	281	278	275	272	255
Fishing	154	159	170	165	164	143	142	146
Forestry	180	180	193	195	189	226	200	264
Mining & Quarrying	564	607	571	652	626	591	645	628
Manufacturing	325	316	316	309	309	350	328	367
Distribution	433	423	440	427	425	404	439	417
Transport & Communication	545	529	531	506	480	448	439	453
Engineering & Construction	463	443	497	461	452	424	471	450
Rent & Dwellings	96	94	100	94	92	87	93	88
Financial Services	295	290	300	293	309	300	294	285
Other Services	206	204	211	204	198	191	188	181
Government	679	682	682	689	689	657	650	651

Note: Individual figures may not sum up to the total due to rounding



APPENDIX III

CENTRAL GOVERNMENT FINANCIAL OPERATIONS

	BUDGET 2003	REVISED 2002	BUDGET 2002	ACTUAL 2001
<b>Total Revenue</b>	<b>46,037.2</b>	<b>44,589.3</b>	<b>43,862.3</b>	<b>41,475.6</b>
<b>Revenue</b>	<b>45,974.8</b>	<b>44,558.4</b>	<b>43,791.0</b>	<b>41,426.2</b>
<i>Tax</i>	<i>42,491.8</i>	<i>40,822.7</i>	<i>40,904.0</i>	<i>37,769.7</i>
Income taxes	19,064.6	18,580.3	17,586.0	16,720.4
Consumption taxes	16,237.0	15,136.5	16,197.0	14,373.3
Trade taxes	5,082.0	4,656.8	5,065.0	4,790.4
Other	2,108.2	2,449.1	2,056.0	1,885.7
<i>Non-tax</i>	<i>3,483.0</i>	<i>3,735.7</i>	<i>2,887.0</i>	<i>3,656.5</i>
Private sector	3,105.0	2,943.9	2,418.0	2,814.0
Public enterprise & BOC	378.0	791.8	469.0	842.5
<b>Total expenditure</b>	<b>72,144.9</b>	<b>63,827.9</b>	<b>68,771.5</b>	<b>63,564.3</b>
<b>Current expenditure</b>	<b>49,897.7</b>	<b>48,152.6</b>	<b>48,817.1</b>	<b>47,053.8</b>
<i>Non-interest expenditure</i>	<i>41,897.8</i>	<i>37,444.9</i>	<i>37,227.7</i>	<i>35,365.8</i>
Personal emoluments	16,901.1	15,832.0	15,814.4	14,743.3
Other goods and services	11,826.1	9,700.6	9,943.2	9,057.4
Transfers to the private sector	10,670.5	9,553.6	9,970.1	9,567.7
o/w GPL	0.0	0.0	0.0	1,134.0
Transfers to the public sector	2,500.0	2,358.7	1,500.0	1,997.4
<b>Interest</b>	<b>7,999.9</b>	<b>10,707.7</b>	<b>11,589.4</b>	<b>11,687.9</b>
External	4,980.8	6,394.9	6,547.7	6,842.5
Domestic	3,019.2	4,312.8	5,041.7	4,845.4
<b>Primary balance</b>	<b>4,077.0</b>	<b>7,113.5</b>	<b>6,563.3</b>	<b>6,060.4</b>
<b>Current balance</b>	<b>(3,923.0)</b>	<b>(3,594.2)</b>	<b>(5,026.1)</b>	<b>(5,627.6)</b>
<b>Capital Revenue</b>	<b>62.4</b>	<b>30.9</b>	<b>71.3</b>	<b>49.4</b>
<b>Capital Expenditure 1/</b>	<b>22,247.2</b>	<b>15,675.3</b>	<b>19,954.4</b>	<b>16,510.5</b>
<b>Overall Balance before Grants</b>	<b>(26,107.7)</b>	<b>(19,238.6)</b>	<b>(24,909.2)</b>	<b>(22,088.7)</b>
<b>Grants</b>	<b>7,208.1</b>	<b>11,406.2</b>	<b>14,304.7</b>	<b>10,887.0</b>
<i>HIPC relief</i>	<i>4,141.9</i>	<i>8,700.8</i>	<i>10,917.5</i>	<i>7,937.1</i>
Original	1,471.1	5,573.2	5,457.5	5,311.9
Enhance	2,670.8	3,127.6	5,460.0	2,625.2
<i>Other</i>	<i>3,066.1</i>	<i>2,705.4</i>	<i>3,387.2</i>	<i>2,919.9</i>
Projects	1,945.1	1,679.2	1,606.6	1,241.8
Non-projects	1,121.0	1,026.2	1,780.5	1,675.1
<b>Overall Balance after Grants</b>	<b>(18,899.7)</b>	<b>(7,832.4)</b>	<b>(10,604.5)</b>	<b>(11,201.7)</b>
<b>Financing</b>	<b>18,899.7</b>	<b>7,832.4</b>	<b>10,604.5</b>	<b>11,201.7</b>
Net External Borrowing	11,230.7	3,776.1	6,244.5	7,901.4
Disbursements of Loans	12,839.9	8,643.6	11,243.9	12,911.0
Debt Repayments	3,649.5	4,867.5	4,999.4	4,991.6
Rescheduling	2,040.4	-	-	-
<b>Net Domestic Borrowing</b>	<b>5,668.9</b>	<b>4,056.3</b>	<b>4,360.1</b>	<b>2,751.8</b>
<b>Net Divestment Proceeds</b>	<b>2,000.0</b>	<b>0.0</b>	<b>-</b>	<b>58.5</b>
<b>Overall Deficit as a % of GDP</b>	<b>(13.2)</b>	<b>(5.7)</b>	<b>(7.6)</b>	<b>(1.4)</b>

NB. 1/ Effective from Revised 2001, excludes transfers to Linmine which are now shown under current expenditure, Transfers to the Public Sector.

APPENDIX IV

ALL URBAN CONSUMER PRICE INDEX  
(including GEORGETOWN)

GROUP	2001	2002											
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
ALL ITEMS	165.4	164.6	168.8	167.8	169.7	170.7	172.2	173.1	173.3	173.6	175.2	175.4	175.5
FOOD (incl. Alcoholic Beverages)	167.6	166.1	166.3	163.0	164.1	167.1	170.6	169.5	169.4	170.2	171.9	171.3	170.9
CLOTHING	73.2	72.7	73.1	73.1	72.9	73.3	73.3	74.7	74.7	74.7	74.6	74.6	74.6
FOOTWEAR	62.5	62.6	62.6	62.6	62.4	62.4	62.4	62.4	62.4	62.4	62.4	62.5	62.5
HOUSING	182.2	181.1	186.8	187.5	190.7	189.9	190.3	195.1	195.2	196.1	199.4	199.4	199.6
FURNITURE	128.6	128.2	128.4	128.4	128.8	128.4	128.4	129.1	133.4	133.6	133.5	133.8	134.8
TRANSPORT & COMMUNICATION	186.8	186.3	211.6	211.8	216.7	216.9	215.4	217.3	216.9	216.0	217.3	220.9	221.3
MEDICAL & PERSONAL CARE	186.4	187.0	187.0	187.0	194.3	191.6	191.3	189.1	189.1	189.4	189.4	189.4	189.4
EDUCATION, RECREATION, CULTURE	177.5	184.4	184.7	191.0	190.3	190.4	190.4	190.4	191.9	186.2	185.0	185.4	190.6
OTHER GOODS AND SERVICES	155.4	154.8	155.1	155.2	155.6	154.9	154.7	155.3	155.3	155.5	155.8	156.0	156.0

	% Change											
	1997 DEC	1998 DEC	1999 DEC	2000 DEC	2001 DEC	2002 NOV	2002 DEC	DEC - DEC	NOV - DEC			
ALL ITEMS	135.3	141.7	154.0	163.0	165.4	175.4	175.5	6.1	0.1			
FOOD	142.9	146.9	157.0	163.7	167.6	171.3	170.9	2.0	-0.2			
CLOTHING	81.9	76.1	73.8	72.7	73.2	74.6	74.6	1.9	0.0			
FOOTWEAR AND REPAIRS	76.1	70.3	68.1	62.0	62.5	62.5	62.5	0.0	0.0			
HOUSING	144.5	144.0	158.1	179.4	182.2	199.4	199.6	9.5	0.1			
FURNITURE	119.8	119.7	127.1	128.4	128.6	133.8	134.8	4.8	0.7			
TRANSPORT & COMMUNICATION	130.4	168.4	190.0	188.5	186.8	220.9	221.3	18.5	0.2			
MEDICAL & PERSONAL CARE	129.9	145.7	188.8	187.5	186.4	189.4	189.4	1.6	0.0			
EDUC. RECR AND CULTL SERVICE	127.1	134.1	147.9	170.2	177.5	185.0	190.6	7.4	3.0			
MISC GOODS & SERVICES	125.0	133.4	138.1	155.7	155.4	156.0	156.0	0.4	0.0			

**BALANCE OF PAYMENTS  
ANALYTIC SUMMARY**

ITEM	BUDGET 2003	REVISED 2002	BUDGET 2002	ACTUAL 2001
<b>A Current Account</b>	<b>(154.3)</b>	<b>(106.7)</b>	<b>(141.0)</b>	<b>(128.6)</b>
1.0 Merchandise (Net)	(128.0)	(68.2)	(106.0)	(93.6)
1.1 Exports (f.o.b.)	515.0	494.9	489.0	490.3
1.1.1 Bauxite	39.0	35.3	57.0	61.0
1.1.2 Sugar	135.0	119.5	115.0	109.2
1.1.3 Rice	47.0	45.4	57.0	50.2
1.1.4 Gold	128.0	136.3	112.0	127.0
1.1.5 Timber	26.0	35.6	33.0	33.0
1.1.6 Other	137.0	118.8	112.0	106.7
1.1.7 Re - exports	3.0	4.0	3.0	3.2
1.2 Imports (c.i.f.)	(643.0)	(563.1)	(595.0)	(583.9)
1.2.1 Fuel & Lubricants	(135.7)	(125.8)	(114.0)	(131.5)
1.2.2 Other	(507.3)	(437.3)	(481.0)	(452.4)
2.0 Services (Net)	(71.0)	(78.5)	(81.0)	(79.0)
2.1 Factor	(26.0)	(55.0)	(54.0)	(58.6)
2.2 Non Factor (Net)	(45.0)	(23.5)	(27.0)	(20.4)
3.0 Transfers	44.7	40.0	46.0	44.0
3.1 Official	-	-	-	3.0
3.2 Private	44.7	40.0	46.0	41.0
<b>B Capital Account</b>	<b>90.3</b>	<b>88.7</b>	<b>125.0</b>	<b>115.3</b>
1.0 Capital Transfers	24.4	33.7	31.0	30.8
2.0 Medium and Long Term Capital (Net)	65.9	63.3	90.0	95.4
2.1 Non - Financial Public Sector Capital (Net)	(16.6)	19.7	37.0	39.4
2.1.1 Disbursements	54.3	45.3	63.0	65.8
2.1.2 Amortization	(24.0)	(25.6)	(26.0)	(26.4)
2.1.3 Other	(46.9)	-	-	-
2.2 Private Sector (Net)	82.5	43.6	53.0	56.0
3.0 Short Term Capital	-	(8.3)	4.0	(10.9)
<b>C Errors and Omissions</b>	<b>-</b>	<b>(7.1)</b>	<b>-</b>	<b>4.9</b>
<b>D OVERALL BALANCE</b>	<b>(64.0)</b>	<b>(25.1)</b>	<b>(16.0)</b>	<b>(8.4)</b>
<b>E Financing</b>	<b>64.0</b>	<b>25.2</b>	<b>16.0</b>	<b>8.4</b>
1.0 Bank of Guyana net foreign assets	38.0	(4.0)	(8.0)	(16.6)
2.0 Change in Non-Financial Public Sector Arrears	-	-	-	-
3.0 Exceptional Financing	26.0	29.2	24.0	25.0
3.1 Debt Relief	26.0	29.2	-	-
3.2 Balance of Payments Support	-	-	-	-
3.3 Debt Forgiveness	-	-	24.0	25.0
3.4 Debt Stock Restructuring	-	-	-	-

Figures: US\$m

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

## APPENDIX VI

### ACTUAL AND PROJECTED EXTERNAL DEBT STOCK

ITEM	Preliminary 2003 (After O - HIPC)	Actual 2002 (After O - HIPC)	Actual 2001 (After O - HIPC)	Actual 2000 (After O - HIPC)
<b>TOTAL EXTERNAL DEBT</b>	<b>984.43</b>	<b>1,237.09</b>	<b>1,196.66</b>	<b>1,193.02</b>
<b>1.0 Multilateral</b>	<b>820.22</b>	<b>835.17</b>	<b>796.65</b>	<b>788.36</b>
IBRD	0.77	3.00	5.18	8.32
IDA	207.63	197.50	179.60	181.45
IADB	377.93	363.18	341.20	304.16
CDB	66.73	60.91	56.62	53.77
CMCF	35.71	51.93	59.91	67.90
IMF	79.49	96.16	97.62	117.42
Others 2/	51.95	62.49	56.52	55.34
<b>2.0 Bilateral</b>	<b>148.36</b>	<b>352.52</b>	<b>351.64</b>	<b>353.36</b>
<b>2.1 Paris Club Creditors:</b>	<b>117.53</b>	<b>290.89</b>	<b>290.76</b>	<b>294.05</b>
USA	0.96	3.68	3.68	3.68
UK	-	53.80	53.83	53.83
Canada	-	1.40	1.40	1.40
Germany	-	4.48	4.48	4.48
Netherlands	2.17	4.58	4.58	4.58
Denmark	0.59	1.07	1.07	1.07
Norway	-	-	-	-
Sweden	-	-	-	-
France	-	1.24	1.24	1.24
Japan	0.57	0.69	0.80	0.92
T&T	70.69	176.73	176.94	176.94
Russia	0.23	0.56	0.56	0.56
Italy	1.80	-	-	-
Others 3/	40.52	42.66	42.16	45.33
<b>2.2 Non - Paris Club Creditors:</b>	<b>30.83</b>	<b>61.63</b>	<b>60.88</b>	<b>59.32</b>
Venezuela	2.11	3.86	4.18	4.50
Argentina	1.32	2.48	2.39	2.24
Kuwait	6.10	11.48	10.82	9.52
Libya	4.67	8.78	8.67	8.31
Cuba	0.17	1.28	1.20	1.11
Others 4/	16.46	33.76	33.63	33.64
<b>3.0 Private Creditors</b>	<b>15.85</b>	<b>49.40</b>	<b>48.37</b>	<b>51.30</b>
<b>3.1 Suppliers 5/</b>	<b>12.80</b>	<b>12.92</b>	<b>12.97</b>	<b>14.75</b>
<b>3.2 Financial Markets / Bonds 6/</b>	<b>3.05</b>	<b>36.48</b>	<b>35.39</b>	<b>36.55</b>

**Notes:**

1/ Takes into account only a part of the debt relief to be granted under the Enhanced HIPC initiative

2/ Includes EEC, EIB, IFAD, OPEC, and IFC Loans

3/ Includes PL 480 Credits, CDC, and KFW Loans

4/ Includes DPRK, Brazil, China, UAE, India and Yugoslavia Loans

5/ Includes ITT, Caterpillar Americas, Nissho Iwai / Komatsu, Boskalis and EPDS debts

6/ Includes Booker Plc, Bonds, Bank of Nova Scotia, Lloyds Bank and Barclays Bank





**Presented in the National Assembly  
by the Minister of Finance  
the Hon. Saisnarine Kowlessar**