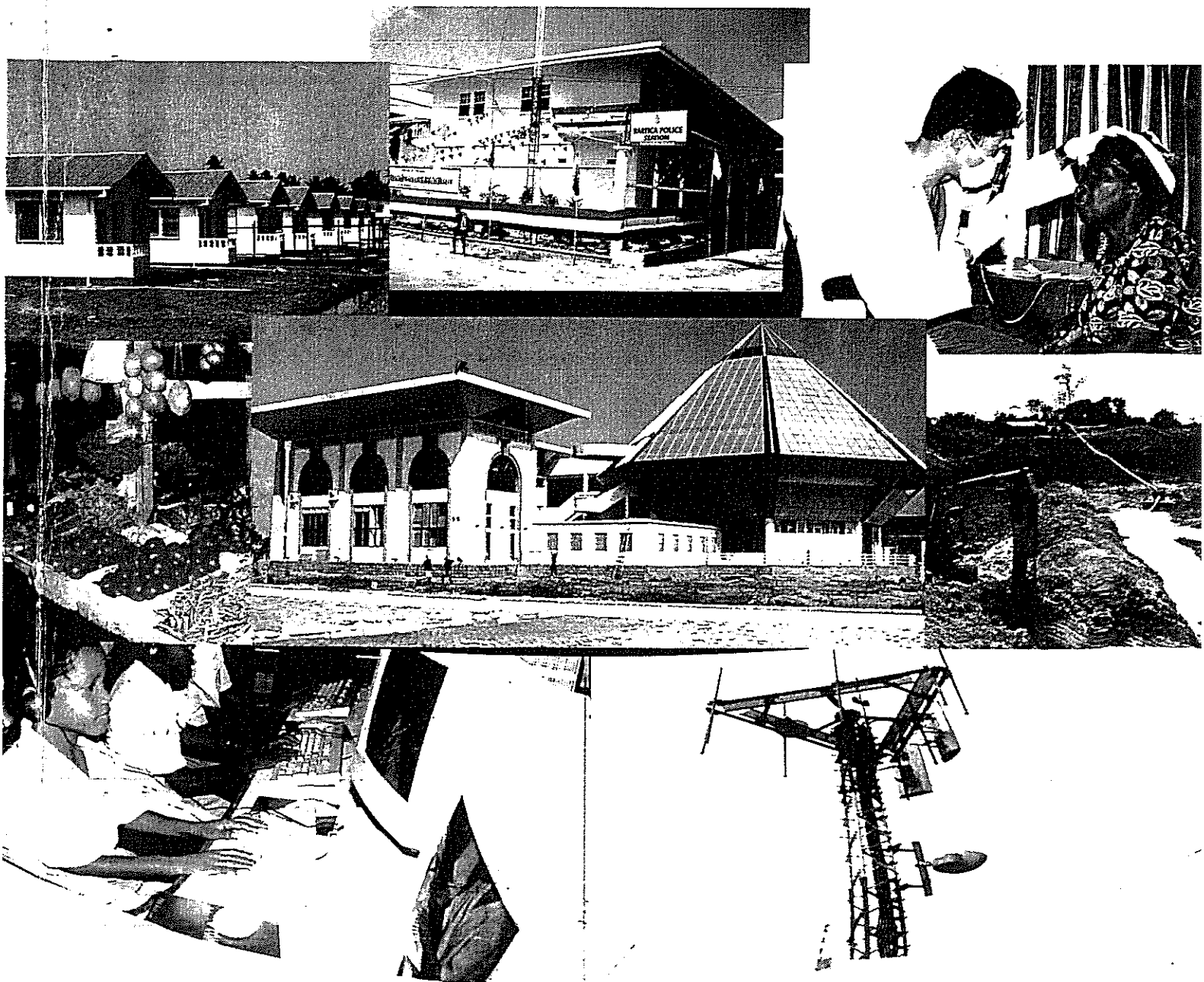


BUDGET

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Transforming Guyana Through
Modernisation and Partnership



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BUDGET SPEECH

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Ministry of Finance

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Introduction

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1.1 Mr Speaker, I rise to move the motion for the approval of the Estimates of the Public Sector and the Budget for the Financial Year 2006. 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 we reflect on the year 2005, uppermost in our minds would surely be the devastating floods of January and the Government's prompt and innovative responses to this disaster. We would also remember the year for the record oil prices and the sharp cut in the preferential price of sugar imposed by the European Union. But, most of all, Mr Speaker, we will forever remember 2005 for the fortitude and resilience shown by our people in the face of serious perils, threats and challenges.

1.3 As I reported to this Honourable House, during my 2005 Budget Presentation, the country suffered its worst national disaster when heavy and persistent rainfall, beginning on December 24, 2004, dumped nearly 60 inches of rain on the low coastal plain of Guyana. This situation was compounded by the overtopping of the East Demerara Water Conservancy (EDWC). The areas that were severely impacted included East Coast of Demerara and sections of North and South Georgetown. In addition, low lying villages on the West Bank and West Coast of Demerara were so inundated as to require a Presidential Declaration of disaster areas in Regions 3, 4 and 5. Altogether, nearly 400,000 persons, representing some 52 percent of the population, were affected.

1.4 Mr Speaker, the late great civil rights activist and leader, Dr Martin Luther King, Jr, once said, "The ultimate measure of a man is not where he stands in moments of comfort and convenience, but where he stands at times of challenge and controversy." The unprecedented flooding, which left in its wake death, injuries, and dislocation of people, on the one hand, and large scale destruction and damage to infrastructure and property, on the other hand, called for quick, imaginative solutions and decisive leadership and action. In the face of great adversity, at the time of that extreme test, the

Government confronted the challenge with due resolve and alacrity and, with the full support and cooperation of Guyanese and non Guyanese near and afar, attenuated the problem.

1.5 We initiated a national, structured and hands-on approach to the management of the disaster, which brought the plaudits of the international community. The Government together with a number of people and organisations worked tirelessly and unceasingly to bring relief to the affected population. While some concentrated their efforts on draining the water from the land as quickly as possible, others devoted their attention to providing such necessities as food, shelter, healthcare and potable water. It was this unstinted dedication to a very onerous task that was responsible for the successful execution of the acute response phase, and allowed the Government to focus quickly on the more long term phase of recovery and reconstruction, both at the economy and household levels.

1.6 At the level of the economy, the Government commissioned the Economic Commission for Latin America and the Caribbean (ECLAC) to undertake an economic assessment of the impact of the flood. The report, which was presented in March, estimated the economic loss from the flood to be \$93 billion, the equivalent of 60 percent of the Gross Domestic Product (GDP). In addition, it predicted that production of sugar and rice, two of the largest contributors to the GDP, would fall precipitately. Taking these and other factors into account, ECLAC estimated that real output in the economy would decline by about 5.4 percent.

1.7 The Government also commenced negotiations with the donors with a view of accessing new funding and reorienting existing loans to finance a massive programme of recovery and reconstruction. This programme is likely to cost \$6 billion in the medium term. In the interim, the Government announced a package of short term measures that was expected to cost \$2.8 billion. A task force was established to oversee several immediate and short term projects aimed at shoring-up the EDWC, rehabilitate and rebuild drainage and irrigation structures, and clear blocked drainage canals and outfalls. In excess of \$800 million was identified to fund drainage activities in Georgetown and

the flood-affected areas of Regions 3, 4, and 5, including short term interventions such as de-silting of major canals and the clearing of inter-street drains. These funds were additional to the financial and other forms of assistance provided by the donors for rehabilitation of the EDWC.

1.8 At the household level, a Recovery Planning and Implementation Secretariat, comprising a technical team and representatives from each of the affected sectors, was established to identify affected persons and disburse assistance to them. More than 81,000 persons benefited from various forms of assistance, as follows: households (70,580); rice farmers (1,674); other farmers (6,895); and small businesses (2,322). Each household received a grant of \$10,000, amounting to over \$700 million, while another \$700 million was disbursed to the other categories of beneficiaries. Mr Speaker, the subsequent overtopping and breaching of sea defences, in October, and the severe flooding experienced in areas such as Mahaica, Mahaicony, Abary, Black Bush Polder and Canals Polder, in December and to date, attest to the changing weather pattern, magnify the fragility and vulnerability of our defence systems, and highlight the need to secure urgent funding to undertake major remedial works. This is of utmost priority, and is so reflected in the Public Sector Investment Programme (PSIP) for this year.

1.9 Mr Speaker, the year 2005 was not all about doom and gloom. Sound macroeconomic measures and timely policy interventions had a decidedly favourable impact on the economy's performance. As will be reported shortly, real growth was considerably better than predicted by ECLAC. Encouraging signs of buoyancy and optimism became apparent in the economy, manifested, for example, by the resurging manufacturing sector, a booming construction industry, increased electricity generation and consumption, and a successful tourism campaign. In addition, more and more people are now experiencing the joys of owning their homes, and of receiving electricity and potable water for the first time. More of our population are being better educated and are accessing better health care. In spite of the difficulties and the harsh economic reality last year, the Government not only continued its trend of increasing the salaries of public servants but actually paid out the highest increase for the decade. The poor and less

fortunate also enjoyed direct benefits such as an increase in pension and public assistance, and free eye care and surgery.

1.10 Several programmes were put in place to improve policing—to tackle an old nemesis, crime—and reform the judiciary and prison system. Constitutional and other changes over the past five years have resulted in Guyana having perhaps the most consultative and participatory governance framework in the Commonwealth. More important, Mr Speaker, the re-uniting of our people, albeit through a national disaster, and the many recent examples of cooperation between the Government and the Opposition in Parliament, offer renewed hope for stability and lasting peace. These are vital ingredients for building a prosperous and caring society that is grounded in democratic principles and ideals.

1.11 Mr Speaker, these are some of the many improvements that we promised at the start of this term of the Government in 2001, when we presented a comprehensive plan for national development. We have consistently delivered over the years. We delivered in 2005, and we will continue to deliver in 2006 and beyond, after we would have renewed our mandate in the upcoming General Elections.

1.12 In crafting this Budget, we were informed by the views of private sector bodies, labour unions and ordinary Guyanese. We thank them for their contributions, which we value highly. Mr Speaker, this Budget does not make grand promises, which people might expect in an Elections season, but which remain largely unfulfilled or undelivered afterwards. Rather, it seeks to continue our work in the priority areas of the social sector and poverty reduction, as elaborated in documents such as the Poverty Reduction Strategy Paper (PRSP), while tackling new priorities that affect the safety and security of the society, including crime, sea and river defences, and drainage and irrigation systems. It continues the work of previous budgets to strengthen the platform for achieving our vision. It is in this context that we have adopted the theme for this Budget as: *“Transforming Guyana through Modernisation and Partnership”*.

Review of the International Economy

2

2.1 Mr Speaker, undoubtedly the event that impacted the most on the performance of the international economy in 2005 was the high and continuing rise in crude oil and refined product prices. While benefiting oil producing countries and acting as a catalyst for increased investments in oil exploration activities globally, it had a dampening effect on growth in non oil producing countries, such as Guyana. The net result, according to the World Bank, was that even though the global economy grew by 3.2 percent, it was less than the 3.8 percent in 2004. The biggest contributors to the expansion in 2005 continued to be United States of America and China, with other countries such as Japan and India being notable performers. Economic activity in Latin America and the Caribbean (LAC) is estimated to have increased by 4.5 percent, but this was considerably less than the 5.8 percent achieved in 2004. There was a heartening increase in non fuel commodity prices in response to both strong demand, in the case of metals, and supply disruptions, inclusive of bad weather conditions. This helped to stem the decline in output in Latin America and the Caribbean and other developing regions.

2.2 The outlook for an increase in world output in 2006 is slim, because the high oil prices continue to be the main inhibiting factor. Global growth is projected to be 3.2 percent, the same as last year, with the United States of America, China, Japan and the Euro countries leading the way. On the other hand, for most of the developing regions, high oil prices, rising interest rates, and building inflationary pressures are expected to restrain growth. After falling to 6.2 percent in 2005, world trade is projected to rise to 7 percent in 2006. While this should be good news for open economies like Guyana's, the reality is that inherent in this expansion is a projected increase in the average price of oil and a decline in non oil commodity prices. With the implementation of a 5 percent cut in the guaranteed price for sugar sold into the European Union (EU) market this year—the first of an overall 36 percent reduction in the price by 2009—such a development would exacerbate an already difficult situation. Mr Speaker, we will continue to implement bold measures, within the context of maintaining a strong macroeconomic framework, to counteract the negative effects of these developments.

2.3 Mr Speaker, the implementation of the EU price cut, despite vigorous representation and protestations to the contrary, and the near destruction of the banana industry, among other recent developments, have put Caricom economies on the “back foot” so to speak. These events have magnified the vulnerability that threatens the very existence of our small states, while endangering the livelihood of our populations. In the face of this onslaught, we could sit back, do nothing, and risk being swept away by the rising global tide; or, we could pool our individual talents and resources to form a common approach to our interaction with, and integration into, the globalised economy. This strategy was effectively pursued in the Doha Development Round of the World Trade Organisation (WTO), in Hong Kong, last year, where developing countries demanded that their interests be heard and taken into consideration in the final document.

2.4 Mr Speaker, the far-reaching decision of Caricom Heads of Government, in 1989, to establish the Caricom Single Market and Economy (CSME) is to be commended. As the New Year dawned, so too was the birth of the Single Market component of the CSME. His Excellency President Bharrat Jagdeo signed the instruments late last month signifying that Guyana had put in place all the necessary arrangements to participate in this historic formation in the life of the Caribbean Community. The CSME has been greeted with a mixture of excitement and fear, particularly by the private sector. There is no doubt that the CSME will bring challenges, especially in the liberalisation of services and the free movement of capital and certain skills. However, we believe that inherent in these challenges are opportunities for overcoming small market size, improving and expanding production and productivity, and increasing investments, technology transfer and know how, among others.

2.5 Finally, Mr Speaker, another opportunity for pooling resources in the context of shared ideals and the pursuit of common objectives will be presented this year when Guyana hosts the Summit of the Rio Group of Countries. This will be a defining moment in the life of such a small nation and a fitting tribute to our esteemed standing in the international community in this the 40th year of our Independence. We should cherish the moment.

Review of the Domestic Economy

3

A. Real Economic Growth

3.1 Mr Speaker, prior to experiencing the massive flooding and its horrendous after effects last year, Guyana's economy was projected to expand by 2.2 percent. After assessing the extensive damage done to the economy, an ECLAC mission reported in March 2005 that real output would most likely decline by about 5.4 percent. This situation was further compounded by the spiralling oil price increases, which threatened to cripple the productive and transportation sectors. In spite of the prediction of ECLAC and the reality of the oil price increases, we were able to manage the economy to such an extent as to limit the decline in the real Gross Domestic Product to 3 percent. I will now review the performance of each sector.

B. Sector Performance

3.2 Mr Speaker, sugar production fell by 24.4 percent to 246,050 tonnes. The flooding earlier in the year and the longer time taken for the flood water to drain from the land severely affected the first crop and delayed preparations for the second crop. Additionally, inconsistent weather during the year caused a drop in the sucrose content of the sugar canes, thereby increasing the tonnes cane/tonne sugar ratio. Rice output fell by 14.1 percent to 277,531 tonnes, largely on account of the inundation of rice lands.

3.3 The other sub sectors of the agriculture sector returned a mixed performance. The floods also had a devastating impact on livestock and other agriculture. Poultry meat was down by 6 percent, although egg production more than doubled to 24.1 million units, while almost 80 percent of cash crops were lost. This contributed to the fall in output of "other crops" by 2 percent. Significant investments in forestry were partly responsible for the substantial growth of 6 percent that was recorded last year in that sub sector. Fishing was badly affected by the rising cost of acquisition of fuel, and this was a main contributory factor why the sub sector did not grow in 2005.

3.4 Mr Speaker, the bauxite industry continued its path of recovery, showing substantial growth last year. Partly reflecting the restructuring of, and new investments in, the industry bauxite production rose by 6 percent to 1,594,254 tonnes. Of significance is the fact that output of the very high grade calcined RASC bauxite grew by 61.7 percent to 213,000 tonnes. Taking advantage of the very high international prices for gold, declaration by the small gold miners increased by over 50 percent to 162,527 ounces, easily the highest in decades. However, reflecting the significant loss of output of Omai Gold Mines Limited, which ceased operations in September, last year, overall gold production fell by 26.3 percent to 267,556 ounces. Diamond declaration fell by 19.8 percent to 356,948 carats. It was these declines that caused the output of the mining and quarrying sector to contract by 17.7 percent.

3.5 Mr Speaker, a very encouraging development was the growth of the manufacturing sector by 2 percent. This is clearly a reflection of increased foreign and local investment, which enabled the expansion of existing products and the development and diversification into new activities. The growth was also due to the growing prominence and activities of small businesses and microenterprises.

3.6 Engineering and construction expanded by 9.5 percent, reflecting the substantial growth in public investment, a booming housing programme, and increased private sector activity, partly in response to Guyana's involvement in World Cup 2007. Last year, GO-Invest facilitated the start up or expansion of nearly 140 private sector projects in several sectors, representing investments of \$68 billion which generated an additional 9,000 jobs. Several key public sector projects either were completed, nearly completed or at some stage in-between, including the Caricom Secretariat, the New Amsterdam Hospital, the Guyana International Convention Centre, the Bridges Programme and the 4-lane Highway.

3.7 The services sector grew by 4.6 percent, more than three times the growth recorded in 2003. The growing importance of this sector has been noted in the past; its diversified array of activities, especially in the area of information technology, is

testimony to the shifting structure of production in the country. It presents itself as a new growth area with potential for creating employment for large numbers of skilled and semi skilled persons. Transport and communications expanded by 9.5 percent, which was largely facilitated by the increased investment in the sub sector, especially in the area of cellular and land line telephone services. Distribution grew by 8.5 percent, mainly as a result of rising demand for consumer goods during and after the flood. The other sub sectors of the services sector, namely rent of dwellings, financial services, government and other, increased by 4.5 percent, 6.5 percent, 2 percent and 8 percent respectively.

3.8 In summary, Mr Speaker, had it not been for the disastrous floods and the high oil prices, the economy's performance would have been substantially better. Sugar, rice and mining and quarrying suffered badly and, because of their weight in the GDP composition, impacted significantly on real growth. If the activities of these sectors were excluded, the underlying buoyancy of the rest of the sectors would become evident. It is also reflected in the positive developments in the external, monetary and Government sectors.

C. Balance of Payments

3.9 Mr Speaker, there was a substantial improvement in the overall position of the balance of payments, from a deficit of US\$43.1 million in 2004 to a surplus of US\$8.1 million in 2005. This outturn reflected higher capital inflows that more than compensated for the expected deterioration of the current account, as a result of the massive oil price increases and the lower export volumes of key commodities.

3.10 Merchandise exports fell by 6.8 percent to US\$548.9 million. Although the average price (US\$505 per tonne) was 7.1 percent higher, receipts from sugar declined by 13.6 percent to US\$118 million; rice receipts fell by 16.1 percent to US\$46.2 million. Earnings from gold were US\$112.6 million, 22.4 percent less than the previous year, largely reflecting the cessation of operations of Omai Gold Mines Limited. Timber

exports increased by 11.1 percent to US\$49.9 million while other exports remained relatively flat at US\$161.1 million.

3.11 Merchandise imports amounted to US\$785.4 million, an increase of 21.4 percent. This was mainly due to a 30 percent rise in the acquisition cost of fuel and fuel-based products. In addition, imported capital and other goods increased by 18.4 percent, partly reflecting higher prices. Net factor and non factor payments declined by 3.3 percent to US\$83.2 million, while private transfers increased by 106.3 percent to US\$152.6 million. This extraordinary increase in net transfers was due to expanded coverage of the money transfer agencies and the response of the Diaspora to the flooding last year. These developments resulted in an expansion of the current account deficit to US\$167.1 million. The capital account recorded a net position of US\$181.2 million, mainly on account of higher public sector disbursements and increased private sector flows. The improved overall position of the balance of payments allowed the Bank of Guyana to increase its international reserves and maintain a cover of imports of three months.

D. Monetary Developments

3.12 Mr Speaker, monetary policy continued to facilitate a sound macroeconomic environment and promote private sector credit expansion. Net domestic credit by the banking system increased by 11.5 percent to \$40.1 billion, reflecting higher deposits of the public and private sectors. Net credit to the public sector increased by 241.4 percent or \$2.4 billion. Private sector deposits, which amounted to 71.8 percent of total deposits of residents at the end of 2005, grew by 8.3 percent. On the other hand, credit to the private sector expanded by 9.1 percent, a most encouraging development considering the contraction in 2003 and 2004. In almost all categories there was a reversal of the declines observed over the past two years. Credit to the agriculture and manufacturing sectors increased by 11.4 percent and 5.4 percent respectively, in spite of a fall in advances to the rice milling sector. Loans to the personal, distribution and real estate sectors rose by 25.2 percent, 1.5 percent and 25.1 percent respectively.

E. Prices and Income

a. Inflation Rate

3.13 Mr Speaker, inflation which was substantially kept in check over the last decade, rose to 8.3 percent in 2005. An analysis of the consumer price index indicated that this increase was due largely to high food prices, as a result of the inclement weather and shortages experienced in the post flood period, and the high import prices in the face of the rapid increase in oil prices. Had it not been for the actions of the Government to bring some relief to the situation—through lowering of the Consumption Tax on several occasions and non tariff measures to support the operations of the utilities (water, electricity and ferry services)—the inflation rate would easily have reached double digits.

b. Interest Rate

3.14 Mr Speaker, during the review period, the 91-day Treasury bill rate decreased from 3.79 percent to 3.74 percent. The small savings rate fell to 3.38 percent but the spread between the commercial banks' savings rate and the weighted average lending rate widened from 7.43 percentage points to 10.06 percentage points.

c. Exchange Rate

3.15 Mr Speaker, higher private and public capital inflows contributed to the relative stability of the exchange rate and the increased activity in the foreign exchange market. The value of foreign exchange transactions, equivalent to US\$2.9 billion, exceeded the previous year's by US\$203.4 million. There was a slight depreciation in the value of the Guyana Dollar to \$200.94.

d. Developments in Wages

3.16 Mr Speaker, notwithstanding the internal and external shocks to the economy in 2005, especially the floods and the high and rapid increases in the international price of oil, the Government made a significant pay increase to public officers and pensioners. Specifically, all public servants, teachers, members of the Disciplined Forces, employees of semi autonomous agencies and Ministry of Finance pensioners were awarded a 7

percent increase on their December 31, 2004 salaries and pensions. This increase, which was retroactive to January 1, 2005, pushed the minimum wage to \$24,828. In addition, members of the Disciplined Forces were also granted a tax-free incentive equivalent to one month of basic salary.

F. Fiscal Accounts

1. Central Government

3.17 Mr Speaker, in spite of the difficulties experienced last year, which necessitated higher expenditure for flood-related activities and the diversion of expenditure to meet rising fuel and fuel-related costs, we were still able to return a satisfactory performance in the management of our fiscal affairs. The overall deficit of the Central Government of 14.2 percent of GDP was in line with the limit of 14.2 percent of GDP set in the budget. This result was partly due to the buoyancy of revenues.

3.18 Current revenue rose sharply by \$4.4 billion, or 8.4 percent, to reach \$56.1 billion. Of that amount, the Guyana Revenue Authority collected \$52.9 billion, or 94.3 percent. Contrary to popular belief, this growth in revenue was not as a result of any windfall collection of Consumption Tax on oil imports. Indeed the latest estimates show that revenue from that source was a mere \$290 million above the target, but still below the level collected in 2004. Instead, this significant showing was due to higher non-oil imports and corporate tax collection, and the benefits of the substantial reforms implemented over the last five years. Revenue collected by the Customs and Trade Administration increased by \$2.3 billion to \$25.8 billion while the Internal Revenue Department increased its collection by \$2.4 billion to \$27.1 billion. Revenue from other sources declined by \$200 million, mainly reflecting the reduction in royalties due to the closure of Omai Gold Mines Limited.

3.19 In reaching \$56.7 billion, current expenditure (net of the reimbursable rice levy) exceeded the target by \$2.7 billion. Personal emoluments were \$18.5 billion, 7 percent

higher than in 2004. Expenditure on 'other goods and services' was \$17.1 billion. This 31.5 percent increase arose principally from supplementary allocations in excess of \$2 billion on flood-related activities. Transfer payments were \$13.8 billion, \$1 billion higher than programmed. This growth reflects, in part, higher transfers to the public and private sectors. These include increased allocations to meet Government's commitment to Linden community power, and ancillary services for communities in Kwakwani and Everton; and support to the rice industry. Interest payments declined slightly to \$7.3 billion. Capital expenditure was \$35.1 billion, \$3.4 billion above the budget. The additional expenditure was largely due to the emergency, rehabilitation and construction works undertaken in the pre- and post-flood periods. It will be recalled that, during 2005, a number of requests for supplementary appropriations to meet this additional expenditure were considered and approved by this Honourable House.

3.20 Mr Speaker, in spite of the substantial growth in expenditure, the increased revenue and lower interest payments enabled the current deficit to be reduced to \$600 million, instead of the budgeted \$2.2 billion. Similarly, the overall deficit after grants improved to \$22.4 billion (14.2 percent of GDP) relative to the target of \$22.8 billion (14.2 percent of GDP). The deficit was financed principally by net external borrowing of \$15.1 billion.

2. Public Enterprises

3.21 Mr Speaker, the receipts of the public enterprises were \$82.1 billion, 2 percent below the target. This shortfall was mainly due to the lower receipts of Guysuco, which experienced a significant fall in production as a result of the flood. Non-interest expenditure increased by \$1.8 billion to \$77.3 billion, principally reflecting increased expenditure by Guysuco in the aftermath of the flood. It was also as a consequence of the higher prices for oil, fertiliser and shipping. Capital expenditure of \$3.5 billion was less than 50 percent of the budget, mainly because of delays in the implementation of the Skeldon Modernisation Project. The enterprises transferred \$928 million in taxes and

dividends to the Government. The overall surplus improved from the budgeted \$572 million to \$1.1 billion.

3. Non-Financial Public Sector

3.22 The deficit of the consolidated operations of the non-financial public sector, consisting of the Central Government and Public Enterprises, was equivalent to 13.6 percent of GDP. This represented an improvement on the programmed deficit of 13.8 percent of GDP.

G. Debt Management and Relief

3.23 Mr. Speaker, the most significant development during 2005 with respect to the Government's external debt position was the G8 debt relief initiative, also known as the Multilateral Debt Relief Initiative (MDRI). Under the MDRI, the Government is scheduled to receive 100 percent cancellation of debts owed to the International Monetary Fund (IMF) and the International Development Association (IDA). It has already been confirmed that, with effect from January 2006, the IMF will cancel all outstanding debts incurred by Guyana prior to January 1, 2005, of approximately US\$65 million. Similarly, the IDA is expected to cancel another US\$218 million of Guyana's debt by the middle of this year.

3.24 In addition to the MDRI, on October 6, 2005, the Government signed a bilateral debt cancellation agreement to write-off US\$123.3 million of Guyana's debt obligations to Trinidad and Tobago. The Government of Trinidad and Tobago also agreed to provide further debt relief to Guyana to assist in addressing the formidable challenge of regenerating Guyana's social and economic infrastructure which was either damaged or destroyed by the flooding in early 2005. This additional relief, amounting to US\$4.5 million, will be delivered through a rescheduling of the debt service payments due in 2004 and 2005. On December 21, 2005, the Government signed an agreement with the OPEC Fund for International Development, providing for debt relief of approximately

US\$5.4 million in Net Present Value (NPV) terms. As a consequence of these developments, the prospects for Guyana achieving debt sustainability in the medium term have greatly improved.

3.25 A National New Financing Workshop was held last year to identify ways of improving the quality of external financing (grants and concessional loans) contracted by the Government. In addition, a high-level one-day sensitisation seminar for the members of the Cabinet and senior economic officials was conducted at the Office of the President. As a consequence of the seminar, the Government has established an Aid Strategy Task Force (ASTF) with the key aims of diversifying donors, mobilising additional high-quality grants and concessional loans, accelerating disbursements, and implementing the National Debt and New Financing Strategy for Guyana.

H. Public Sector Investment Programme

3.26 Mr Speaker, a record \$32.5 billion was expended on the public sector investment programme (PSIP) in 2005. This was in keeping with the Government's stated objectives of improving and expanding the economic infrastructure to facilitate increased private sector investment and support growth; providing increased access to, and delivery of, social services; and engaging in poverty reduction initiatives. I now turn to a review of the activities conducted under the PSIP.

1. Economic Infrastructure

3.27 Almost 42 percent of the PSIP was spent in the economic infrastructure sector. A sum of \$5.7 billion was expended on the *road network*. The highlights of the roads programme are as follows:

- Completed the resurfacing of the highway stretching from Mahaica to Rosignol and the main road between Rosignol and Ithaca, and started construction of a new road west of the Mahaicony Bridge along the railway embankment to Drill Turn;

- Substantially completed work on the four lane highway stretching from the Demerara Harbor Bridge to Mandela Avenue; construction of an additional lane from the Harbour Bridge to West Demerara Hospital, and resurfacing of the Demerara Harbour Bridge approach road;
- Awarded contracts for road safety activities for the Linden Soesdyke Highway, New Amsterdam to Moleson Creek Road and the Essequibo Coast Main Road; completed installation of streetlights on the East Bank Public Road at strategic intersections, and safety elements on the East Bank Demerara;
- Completed the conceptual design for the Southern Entrance to Georgetown Road Project, which involves the construction of a new bypass road extending from Mandela Avenue to Diamond;
- Engaged in preparatory works for the New Amsterdam to Moleson Creek Road; and
- Spent close to \$850 million to repair and rehabilitate community roads in several parts of the country.

3.28 Approximately \$1.6 billion was spent on *bridges*, the bulk of which was used to complete the Main Bridges Programme, involving the reconstruction of bridges across the Mahaica and Mahaicony Rivers. Extensive works were undertaken on community and urban bridges throughout the country. Contracts were awarded for the design of bridges along the New Amsterdam to Moleson Creek Road, Essequibo Coast Main Road and the Linden/Soesdyke Highway. Feasibility studies for the Berbice River Bridge were completed, and bids were launched for the design of the approach roads and the conduct of related environmental studies.

3.29 In the *transportation sector*, almost \$480 million was spent on activities aimed at completing the modernisation of the Cheddi Jagan International Airport (CJIA) and Ogle Airport; upgrading subsidiary airstrips and aerodromes; and strengthening the institutional and regulatory capacity of the Civil Aviation Authority. A new Arrivals Terminal is in place at CJIA, while three new duty-free shops, a tourism booth and a post office were installed. A new sewerage plant costing \$206 million was commissioned in

March. Another \$415 million was used to improve the maritime infrastructure, including the rehabilitation of ships and stellings, and the purchase and installation of navigational aids. The Guyana Transport Sector Study, which is being financed by a grant from the European Union, started in the first quarter of last year. This ten month, \$210 million project will prepare a comprehensive development strategy for the sector, covering all aspects of transport in the country—roads, bridges, ferries, river, ports, shipping and aviation.

3.30 Mr Speaker, the vulnerability and fragility of the *sea and river defences* and *drainage and irrigation network* were brought into sharp focus during various periods last year and at the start of 2006. The extensive flooding of January and December, and the breaching and overtopping of the sea defences in several parts of the country in October, required emergency interventions. Expenditure on our *sea defence* exceeded \$2.5 billion, with over \$1.2 billion spent on emergency sea defence works in areas that experienced sea defence breaches, particularly Leonora and Stewartville, West Coast Demerara; Triumph and De Endragt, East Coast Demerara; and Devonshire Castle, on the Essequibo Coast. Additional emergency works, including revetment, upgrading earthen embankment and new construction had to be undertaken on the East Bank of Demerara and some areas of the Essequibo Coast. Rehabilitation works continued on the development of a shorezone management system for monitoring, planning and management of the coastal zone of Guyana. A socioeconomic study commenced, which aims to determine and improve the level of awareness of the coastal zone population on all features of the sea defence sector, while hydrographic surveys were completed between Mahaica and Sommerset /Berks, around the Islands of Wakenaam and Leguan and up the Essequibo River.

3.31 Over the years, significant emphasis has been placed on *drainage and irrigation* in order to support our agricultural activities. Despite an improvement in the infrastructure, the unprecedented rainfall earlier last year was in excess of what the system could have accommodated and this led to widespread flooding in Regions 3, 4, and 5. Under the Emergency Response Programme, an Emergency D&I Task Force was

set up and a supplementary amount of \$952 million was allocated. The works undertaken included the rehabilitation of embankment and structures on the East Demerara Water Conservancy, the Boerasarie Water Conservancy, sluices along the East Coast Demerara, embankment along Mahaica as well as the construction of the Perth/Baiboo drainage canal. Drains and canals were also rehabilitated along the East Coast, from Plaisance to Mahaica, and 4 additional mobile pumps were deployed in areas on the East Coast. Outfalls were cleared along the East Coast and a manual was prepared for the operation of the East Demerara Water Conservancy during peak rainfall hours. As a result of these works, there was minimal flooding during the May-June rains of 2005 in most regions and the impact of the flooding in Region 5 (Mahaica/Mahaicony) in November-December 2005 was minimised.

3.32 The National Drainage and Irrigation Board expended \$500 million to complement the works undertaken by the Emergency Response Programme Task Force. These works were conducted in the following areas in Regions 3, 4, 5, and 6: Cane Grove/Unity, Mocha/Timehri and Garden of Eden, Liliendaal, Buxton/Friendship, Golden Grove, Lima Dam Jonestown, Golden Grove/ Haslington, and Beterverwagting/ Plaisance among others. Under the Agriculture Support Services Programme, \$103.2 million was utilised in preparatory works to be done in nine selected areas: Canals Polder, Den Amstel, Black Bush Polder, Crabwood Creek, Cane Grove, Vreed-en-Hoop/La Jalousie, Vergenoen/Bonasika, Numbers 52-74 Villages and Golden Grove/Victoria. Additionally, Water Users Associations were established in the nine areas and contracts were awarded for the maintenance of the secondary drainage and irrigation systems.

3.33 The new Drainage and Irrigation Act was assented to, and the process to convert the NDIB to the National Drainage and Irrigation Authority has commenced. In the medium to long term, a comprehensive programme of reconstruction and rehabilitation of the physical infrastructure of sea and river defences and drainage and irrigation, along with extensive rebuilding of the human resource base will have to be implemented.

3.34 Mr Speaker, in the area of *power supply*, work was accelerated on the unserved area electricity project. This ambitious \$6.4 billion project seeks to provide 30,000 electricity connections in unserved areas along the coast, some of which have been without electricity for over 40 years. Towards this end, new connections were completed on 8,719 lots in Regions 2, 3, 4, 5 and 6, at a cost of almost \$1 billion. The Government approved an additional \$700 million to provide electricity for the first time to the remaining 20,000 low income households, including those in Grove/Diamond and Tuschen Housing Schemes, bringing the total to 50,000 households.

2. Social Sector

3.35 Public investment in *education* has resulted in improvements in the sector as reflected, for example, in the performance of students at the SSEE and CXC examinations. In 2005, there was a 4.5 percent improvement in the number of students gaining passes (Grades 1 to 3), with nearly 80 percent of students gaining Grades 1 to 4. At the SSEE, while there have been some small fluctuations in the mean for the core subjects in the last two to three years, the mean or average mark in mathematics has shown steady improvement from the base year 1996.

3.36 Capital expenditure amounted to approximately \$2.5 billion, of which close to 50 percent, or \$1.3 billion, was spent under the Basic Education Access Management Support Programme (BEAMS) to continue rehabilitation & extension of 5 schools: Bladen Hall, North Ruimveldt, Tutorial, Lodge and Charlestown Secondary Schools; commence construction of the Aurora and New Bartica Secondary Schools (Batch I), start preparatory works for the construction of the Diamond School; develop literacy and numeracy programmes in primary schools; prepare teacher's guides for Mathematics; and train 8 regional assessment officers.

3.37 Other major activities pursued included expenditure of \$460 million under the Education for All - Fast Track Initiative Programme to improve education delivery in the

remote areas. Sixty million dollars was spent to establish eight distant education and in-service training centres in Regions 1, 7 and 9 under the Guyana Basic Education Training Programme (GBET). The local programme consumed \$545 million in the rehabilitation, extension, and construction of schools, dormitories and teachers' accommodation at the nursery, primary and secondary levels in Georgetown and some rural areas. A draft policy document for Special Education was prepared and modules on Special Education for all teacher trainees at Cyril Potter College of Education (CPCE) were introduced to ensure greater access to quality education for children with disabilities.

3.38 An estimated \$1 billion was spent in the *health sector*. Specifically, \$350 million was utilised to procure medical equipment for health centres and hospitals throughout the country. In addition, the Ministry of Health continued its programme of distribution of dietary supplements to all pregnant and lactating mothers, and young children so as to improve their nutrition. About \$55 million was used to develop the Regional Health Authority Act, the Ministry of Health Act, and the organisational structure of the Health Sector Development Unit; complete the Operations Manual and bid documents for the commencement of the Health Sector Programme; and draft of the architectural designs for the Linden Hospital and Georgetown Public Hospital Corporation. Under the HIS/AIDS Programme, \$230 million was spent to promote HIV/AIDS prevention and awareness, in particular, the establishment of seven focal points in Ministries and building alliances with NGOs/FBOs/CBOs. A further sum of \$130 million was expended on the construction of miscellaneous health buildings throughout the country.

3.39 Mr Speaker, we spent \$1.3 billion in 2005 in our continuing drive to bring affordable *housing* to the population. In particular, over \$760 million was expended on the provision of housing infrastructure and services for about 5,000 lots under the Low Income Settlement Programme. The works included the construction of roads, drains and water structures. To date, 10,265 house lots have been serviced under this programme in areas such as Four Miles Bartica, Sophia Block A, B and C, Tuschen North, Williamsburg South, Hampshire South, Belvedere South, Block 22 Wismar, Kaneville, Zeelugt North and Parfaite Harmony. With regards to titling, 4,285 titles, including

squatter settlement areas, were approved. Under the locally funded infrastructure development programme, a sum of \$434 million was expended on roads, drains and other structures in areas such as Parfaite, Vigilance, Bartica and Wisroc.

3.40 Mr Speaker, with respect to *water and sanitation*, an amount of \$890 million was spent in the execution of various ongoing programmes, as follows:

- Improvement in *water* distribution: approximately \$800 million was expended on the rehabilitation of water treatment plants in Wisroc and West Watooka; completion of the design of three distribution systems and the iron removal facility for the Central Ruimveldt Water Treatment Plant; transmission and distribution works in Wisroc; and installation of meters and mains; and
- Facilitating *waste management*: \$87 million was spent through the Solid Waste Disposal Programme, specifically to continue landfill works at the Mandela site and related public awareness campaigns on solid waste management.

3.41 Progress was made in the *towns' renewal and community development* programmes. Signalling the completion of Phase I of the Urban Development Programme, four roads in the capital city (John Street, Bent Street, Hadfield Street and Lombard Street), three culverts, 950 metres of concrete drains and over 1,000 metres of retaining wall were rehabilitated at a cost of nearly \$164 million. Another \$190 million was used to complete infrastructural works in New Amsterdam, Rosehall and Corriverton. A contract was signed between the Government and the Federation of Canadian Municipalities (FCM), worth over \$80 million, to strengthen the six local municipalities. Specifically, the contractor will be developing and approving a business plan; strengthening the municipalities in budget preparation; financial management; re-organisation of administration structure; project preparation, evaluation and maintenance, and proper application of the by-laws; institutional strengthening of the Municipal Services Division; strengthening the operations of the markets and abattoirs; and implementing a new tax system.

3.42 The implementation of the Georgetown Development Plan got underway. Part of the plan entails the conversion of D'Urban Park and Kitty Seawall into recreational areas and, in this respect, lights were installed along the Seawall between Camp Street and Vlissengen Road in Kitty. Last year, \$45 million was spent in grading, levelling and land filling the site at D'Urban Park. Efforts are also being made to install lights along the western end of the Seawall and to involve the private sector in the development of the bandstand area.

3.43 Public investment on *sports* and *youth development* was over \$2 billion. In the area of *sports development*, the highlight was the commencement of construction of a National Sports Stadium, which would meet the requirements of the International Cricket Council (ICC) as well as satisfy other international requirements for the hosting of sporting and recreational events for which Guyana has been deprived to date. This 20,000 seating capacity facility is being constructed at Providence at a total cost of US\$25 million and is expected to be completed in advance of the hosting of World Cup 2007. In relation to *youth development*, expenditure was directed to aid the development of community grounds, centres, and other facilities so as to enhance the development and skills of our youths for social and economic ventures.

3. Poverty Reduction

3.44 Mr Speaker, we continued to implement a range of short term programmes to provide immediate relief to the poor, vulnerable and less fortunate segments of the population. In this respect, we continued the Poor Rural Community Support Programme in Regions 2 and 3 with D&I civil work projects conducted in Hubu and Morasi, which benefited 500 hundred households and 3500 acres of land. Additionally, other civil works were executed, 198 persons trained and 5,312 loans were disbursed. Approximately \$585 million was spent under the Linden Economic Advancement Programme (LEAP) to support a range of activities in Linden and surrounding communities. Projects in the water, education, health, commerce and road transportation sectors benefited from an expenditure of \$645 million under the Basic Needs Trust Fund (BNTF) programme.

Under the Social Impact Amelioration Programme (SIMAP), a similar sum was expended to finance projects and other activities in the areas of community development, education, water/drainage, farm-to-market and residential roads, and rural electrification.

I. Financial Sector Reform and Deepening

3.45 Mr Speaker, the Financial Sector Strengthening Supervision Project is intended to promote a stable financial market through sound prudential policies and guidelines. The Project includes private and public sector training and coordination; developing and enhancing supervisory processes and formulating strategies for the range of financial institutions operating in Guyana; developing and implementing procedures for risk management and supervision of non-bank activities; improving regulatory reporting and information technology; and enhancing anti-money laundering procedures and strengthening the Bank of Guyana's legal department.

3.46 During 2005, a risk-based supervision seminar was held and a consultant was hired to develop a risk-based supervision manual. In addition, the Bank of Guyana acquired the Advanced Retrieval Econometric Modelling System (AREMOS) software to enhance the processing and analysis of financial data from the licenced financial institutions. Two training programmes were coordinated for the staff and other personnel in the sector to sensitise them about anti-money laundering issues, including the conduct of inspection. Finally, the Financial Stability Committee was established within the Bank to analyse macroeconomic trends and systemic issues, and to understand their effects on the stability of the financial sector.

3.47 A comprehensive review of the existing Anti-Money Laundering legislation was conducted and areas identified for strengthening. A Financial Sector Assessment Programme (FSAP) was conducted to focus on the efficiency and effectiveness of financial sector regulation and supervision, impediments to credit growth, and the foreign exchange market. A draft report has been submitted and is presently being studied.

3.48 As testimony to its confidence in the country's economy and future, Development Financing Limited South America (DFLSA) opened an office in Guyana in April last year. This funding agency will be supporting the development and expansion of 50 small and medium sized enterprises, through the provision of affordable medium and long term financing and technical assistance.

J. Public Sector Reform and Governance

3.49 Mr Speaker, in 2005, several actions were taken to strengthen and modernise governmental institutions to enhance their effectiveness and efficiency, and, in the process, help Guyana to achieve the goals articulated in the Poverty Reduction Strategy Paper. In this respect, the Public Management Modernisation Programme (PMMP) was formally launched in December. Considerable progress was made in the implementation of the project to strengthen and modernise the investment project management system, in order to facilitate decision-making in public investment and ensure a more efficient allocation of fiscal resources. Effective from this year, the public sector investment programme will include projects with higher levels of efficiency; all projects will be ranked and selected according to a standardised methodology; and all projects being implemented will be monitored on a regular basis in accordance with new procedures.

3.50 The Fiscal and Financial Management Programme (FFMP) also commenced in 2005, with the aim of improving the efficiency and equity aspects of the tax system and contribute to a more efficient use of public resources by strengthening public sector financial management and public auditing and fiduciary oversight. Approximately \$389.4 million was spent to procure computers, commence installation of a budget preparation and reporting module, and provide other extended functionality of the IFMAS.

3.51 The Institutional Strengthening Project being implemented by the Office of the Auditor General is aimed at modernising the organisational and human resources management systems, designing a new organisational structure, and developing a Policy

and Procedures Manual. In this respect, expenditure in 2005 was focused on incorporating new technology, improving the office environment, training staff, and creating a climate of accountability. Also, during last year, the new Audit Act was brought into force and the Audit Regulations were confirmed.

3.52 Mr Speaker, after a prolonged absence of more than two decades, a Treasury Memorandum, providing detailed responses to the comments, observations and recommendations of the Public Accounts Committee of Parliament, was prepared and presented to the National Assembly. This was another important step in the Government's drive to improve public financial management, in general, and accountability and transparency in the conduct of Government business in particular.

3.53 Similarly, an Accountability Framework Report was developed during last year to guide reporting between the regions and the centre. Specifically, the initiative was pursued to enhance feedback and accountability to Cabinet on the status of execution of the work programmes of the ten administrative regions. The Framework will also allow the Cabinet to be apprised of issues of concern to the citizenry in each region and for prompt decision making and action. In addition, training sessions were conducted, involving 120 persons from the Neighbourhood Democratic Councils, so as to improve accountability and governance at the local level.

K. Tax Reform and Administration

3.54 Mr Speaker, the main development in this area was undoubtedly the progress made towards the introduction of the Value Added Tax and the Excise Tax. It will be recalled that the replacement of the current Consumption Tax with a modern Value Added Tax has long been advocated by the private sector. In 2005, Bills were submitted to implement these taxes and, in the interest of ensuring the widest possible consultation and participation, were referred to Special Select Committees of Parliament. Both pieces of legislation, which are in keeping with Government's efforts to reform the tax system,

have since been passed. Regulations to operationalise the Value Added Tax Act and the Excise Tax Act were also submitted to the House and referred to Special Select Committees.

3.55 A study on the impact of tax concessions on Guyana's economy was commissioned and a report submitted. The overriding conclusion of the report was that tax concessions was just one of the factors determining inflows of foreign direct investment in Guyana and, therefore, attention should be paid to the other factors, particularly in an international trade environment which challenges the revenue base. Under the Fiscal and Financial Management Programme, a \$760 million contract was awarded to Crown Agents for the supply of an integrated information technology system to the Guyana Revenue Authority (GRA). A modern system for controlling and recording tax exemptions at GRA was also established.

Policies and Programmes in 2006

4

A. Strategy and Priorities

4.1 Mr Speaker, as alluded to earlier, this Budget is a continuation of the policies and programmes of previous years that are geared at transforming the economy and making it more competitive, securing growth and expanding permanent employment in the medium to long term, reducing poverty and improving the general standard of living of our people. No doubt, we will continue to face challenges in the pursuit of these objectives; some of them would be familiar to us while others will be new and will require ingenuity and creativity. While the floods of last year and early this year have set us back temporarily, of equal concern are the recent cut in the price of sugar and the outlook for the continuation of high oil prices. Socially, the challenge is to successfully address issues such as crime and deviant social behaviour. We will continue to rise to these challenges and, in consultation with the various stakeholders, devise solutions and implement constructive programmes.

4.2 Mr Speaker, this Budget reflects the set of priorities that the Government has determined are critical to the achievement of our vision. These include: strengthening the foundations of the traditional industries, including upstream and downstream activities; expanding non traditional areas and diversifying into new growth areas; improving the environment for private sector development; securing and expanding the economic infrastructure, strengthening quality, access and delivery of social services; greater efficiency, transparency and accountability of Government; making our communities safer; a cleaner and healthier environment; and social assistance to the poor and vulnerable.

B. Strengthening the Foundations of the Traditional Industries

4.3 Mr Speaker, with foresight and careful planning, Guyana was able to anticipate the events leading up to the drastic cut in the European Union (EU) sugar price, and put

in place reform measures to mitigate the effects as well as securing the longevity of the industry. The Government has prepared a plan of action in order to access the accompanying measures stipulated as part of the European Union sugar reform mechanism. The plan, on which formal discussions have just commenced with the European Union, puts the cost of completely restructuring the industry at US\$600 million over 6 years, and includes modernisation of the industry and diversification into new product lines. Included in the plan are the Skeldon Modernisation Project, diversification within the industry through the production of ethanol and other by products; and diversification outside the industry through cattle farming and cash crop cultivation. Over the next four years, Guysuco is expected to expand the production of sugar to 450,000 tonnes. Markets have already been identified for the increased output.

4.4 The major initiative in the rice industry is the EU Rice Competitiveness Programme, from which Guyana stands to benefit from 11.7 million euros out of the 24 million euros granted to the Caribbean. The programme aims to increase the competitiveness of the rice sector and reduce poverty in rural areas through water management works; repairs to sluices; provision of technical and institutional assistance, research and development, and extension services. This year, \$700 million has been earmarked to be spent on three technical assistance packages to establish a financing facility, thus providing critical investment and working capital for industry operators. It will also focus on water management, specifically the rehabilitation of the pump at Dawa and the repair of sluices at Golden Fleece and Westbury.

4.5 Earlier this month, the Government of Guyana and Russian Aluminium group (RUSAL) signed major agreements, totalling US\$80 million, for the privatisation of the Berbice operations of the bauxite industry. The Russian company will take over the operations from March 30, 2006. Over 2 million tonnes of bauxite will be sold to RUSAL over the next 20 years, while agreements were also executed with another company, Oldendorf Carriers, for the barging, transshipment and ocean shipment of bauxite for the next 10 years. This company will be investing US\$60 million of the US\$80 million in facilities for shipping and barging bauxite.

4.6 The privatisation deal provides for the transfer of the bauxite business and certain assets from Aroaima Mining Company (AMC) to a new company, Bauxite Company of Guyana Inc (BGCI), in which the Government retains a 10 percent stake. The investments represent a recapitalisation and expansion of the investments in Berbice, made since 1990 by AMC and secure markets, management and money for the expansion of production and sustainability of existing employment levels of bauxite production in the Upper Berbice River.

4.7 Mr Speaker, these agreements complete the privatisation of the bauxite sector and come one year after the privatisation of the Linden operations. These positive developments have transformed Berbice bauxite to provide for a financially viable and sustainable operation with partners who have the resources and capability to invest, manage and market the bauxite output. They also help in the resurgence of the communities in the vicinity of the operations, providing employment, income and ancillary businesses. The Government looks forward to parallel development and progress by the RUSAL group in the study of certain Linden deposits for the possible installation of an alumina plant.

C. Diversification of the Economy

4.8 Mr Speaker, as we have stated previously, diversification of the economy is pivotal to reducing shocks, forging a lasting recovery and sustaining growth in the medium and longer term. One area of great potential is gold mining. The closure of Omai Gold Mines Limited and the prevailing high prices for the ore have galvanised the search for areas of similar gold bearing deposits. The prospects are encouraging, as indicated by the results of exploration undertaken over the past year by two companies, StrataGold Corporation and Guyana Goldfields Inc. Exploration results suggest gold deposits of at least one million ounces at each of the two sites, and once the feasibility studies are favourable, production could start in two to three years. These two mines would provide positive knock-on effects in the economy, as in one case, for example, the company is thinking of establishing a hydroelectricity facility to power its operations.

4.9 Additionally, the high gold prices may well precipitate a restart of operations by Omai Gold Mines Limited in about 18 months. If it does so, the company would be exploiting three high-grade gold deposits at its Omai site, which previously would have been uneconomical because of the low gold price at the time. Preliminary indications are that between 70,000 to 100,000 ounces of gold per year, for the next seven years, could be mined from the Omai properties.

4.10 Guyana's tourism product continues to grow and attract significant interest from investors and visitors alike. This augurs well for the future as its potential has long been recognised and its contribution would help to mitigate the impact of lost income arising from the sugar price cut. In spite of the floods and resultant negative travel advisories, and the collapse of an international airline that serviced the key Guyana/New York route, visitor arrivals through the airport topped 116,500 persons, the second highest ever. Work on a five-year strategic action plan for boosting tourism in the country has started. We have budgeted more resources this year, which will be devoted to exploiting the marketing appeal of the country. New tourism products will come on stream, while the hotel and hospitality industry will be enhanced and expanded in anticipation of larger tourist arrivals generally, and in preparation for World Cup 2007, in particular.

4.11 Mr Speaker, crucial to our efforts to diversify the production base and improve the welfare of our people is reform of the telecommunications and information sector. This will allow us to develop electronic call centres, engage in electronic trade and attract new investments. As is well known, the proposed US\$22.5 million Information and Communications Technology (ICT) project had to be shelved after no breakthrough was achieved to liberalise the sector. The ICT project would have increased the attractiveness of Guyana as a site for e-service transactions; improved public sector efficiency and transparency; and facilitated access of the poor to government services by making these available online. It would have also made available internet facilities for urban, rural and hinterland communities as well as generate employment and strengthen national unity.

4.12 In spite of this setback, we are encouraged by the investments in the sector. Last year, six new projects, with a value of \$5.5 billion and the potential for creating almost 500 jobs, were facilitated by GO-Invest. In addition, a number of call centres and back office processing centres are being established in Guyana. The Government will be unfolding an Information Technology Strategy for Guyana that will hopefully enable us to realise the goal of seeing every household and school having access to telephones, computers, and high speed broadband internet.

4.13 Mr Speaker, the manufacturing sector appears set to play a bigger role in the creation of new wealth. Buoyed by the many opportunities and incentives which the Government has been making available, local producers and manufacturers have responded positively, producing a range of new products for sale locally and internationally. The sector will have to continuously renew itself, and adopt various strategies if it is to compete effectively in the CSME and extra regionally.

D. Improving the Environment for Private Sector Development

4.14 Mr Speaker, over the years, the Government has implemented a range of policies so as to make the private sector a more dynamic player in growing the economy and creating wealth. In spite of the many challenges and setbacks that have given rise to low and uneven growth over the past five years, we still managed to: maintain a stable macroeconomic framework, strengthen the legislative framework and provide a transparent basis for the grant of incentives; undertake significant reforms to the tax system; deepen the financial sector, including putting in place modern securities and insurance legislation; engage in public sector reform to improve the efficiency and effectiveness of Government business; reform the judiciary; expand the delivery, range and spatial distribution of social services, and invest substantially in the renewal and expansion of the physical infrastructure, among other policy actions.

4.15 Our programmes and projects for 2006 are designed to continue work in these and other areas in order to facilitate greater private sector involvement and investment in the

economy. During the year, several Government institutions will benefit from technical assistance and persons trained to implement ongoing policy, legislative, regulatory and administrative reforms. This will, among other things, enhance compliance with international trade obligations, particularly within the context of the WTO and the CSME, improve institutional capacity of public trade institutions to effect their mandates, and strengthen the enabling business environment. A number of initiatives will be taken to stimulate trade and enhance the attractiveness of the country as a destination for foreign direct investment. GO-Invest will play a lead role in organising trade fairs and facilitating the attendance of the local private sector. Training will be provided in such topics as company presentations and trade show etiquette, to assist firms to make the best uses of trade shows. On the investment side, a Strategic Investment Opportunity Assessment that will focus on tourism, agro-processing and wood products will be conducted. Further, GO-Invest will collaborate in the launch of a proactive investment attraction programme.

4.16 In addition to these initiatives, Mr Speaker, the Bill to promote Competition and Fair Trading, which was brought before this House in 2005, will be passed this year. The Bill seeks to promote, maintain and encourage competition, and prohibit the prevention, restriction or distortion of competition, and the abuse of dominant positions in trade. It also aims to promote the welfare and interests of consumers, among other matters. We expect that passage of this legislation will pave the way for the early establishment of the Competition Commission.

4.17 Also this year, we will launch the Competitiveness Programme, which will focus on improving the environment for private investment, enterprise competitiveness for export development, development of clusters and facilitating public-private cooperation for competitiveness. This programme, which has the support of the private sector, will set the stage for our productive and service sectors to meet the challenges of regional and global competition. The “Pride in Our Industry” campaign will be intensified in the over half dozen promotional expositions to be held in 2006. The Investment Council and the Small Business Council have now been established and work will intensify this year.

E. Securing and Expanding the Economic Infrastructure

1. Transport and Communications

4.18 Mr Speaker, securing and expanding our economic infrastructural base are crucial to attracting private investment, diversifying the economy, sustaining growth and improving the quality of life of our people. Ever since our accession to Office, in October 1992, we have pursued this task relentlessly, and massive sums of money have been invested in roads, bridges, drainage and irrigation, and so on. In 2006, the Government has committed more resources to continue infrastructural renewal and expansion.

4.19 We have budgeted over \$4.5 billion to continue improvement of highways, roads and bridges. The sum of \$755 million will be used to commence major rehabilitation works to the New Amsterdam/Moleson Creek Highway. This \$8.2 billion project involves resurfacing about 86 kilometres of road and reconstructing 80 structures including culverts and bridges, along the route. It also includes the construction of two roads—Princess Elizabeth and Strand—which provide entrance and exit to New Amsterdam. An allocation of \$217 million has been made to complete the Mahaica/Rosignol Road while a sum of \$345 million will be utilised to complete the four lane highway. In terms of our locally funded programme, the Government has budgeted over \$2.4 billion to rehabilitate and upgrade community and urban roads countrywide. Another \$220 million will be spent on routine maintenance and road safety works. A sum of \$722 million has also been budgeted to continue works under the bridges rehabilitation programme.

4.20 Mr Speaker, as is known by now, the construction of the Berbice River Bridge will be financed largely by the private sector, under a concession agreement with the Government and, in that respect, legislation has been enacted and a Special Purpose Company established to manage the project and operate the bridge. Once the Berbice River Bridge is completed, the entire road network, from the airport to the country's eastern border with Suriname, would have undergone major rehabilitation. This will

bring untold benefits to the people, in terms of their faster movement and the removal of the hassles of everyday life. It will also reduce transportation and vehicle operating costs, and facilitate easier and faster access of goods to markets.

4.21 During this year, we expect to conclude discussions on Phase II of the Bridges Rehabilitation Programme. This \$4 billion project will target the rehabilitation of 50 bridges and culverts from Timehri to Rosignol, as well as 22 miles of ring road in Black Bush Polder. Also, a feasibility study for a new bridge across the Demerara River should commence.

4.22 This year, we have allocated approximately \$152 million for the air transport sector. Work is on-going on the construction of a new runway at Ogle aerodrome, under the Ogle Aerodrome Development Programme, which will bring the airport in compliance with the standards of the International Civil Aviation Organisation. Under the Airport Security Project, a sum of \$110 million will be spent to implement procedures and training programmes for strengthening airport security in Guyana. A sum of \$22 million has been budgeted for a number of activities including the procurement of equipment, and the rehabilitation of the Control Tower Facility and the emergency communication network. In terms of our maritime facilities, \$356 million has been budgeted to rehabilitate ferry stelling and ships, and refurbish buoys and beacons. In addition, a technical cooperation programme between Guyana and China will result in the acquisition of two new ferry vessels in the near future to boost the services in Berbice and Essequibo. This will increase the flow of passengers and goods and reduce the time taken to commute to these destinations. Finally, the final draft report of the Transport Sector Study is to be presented in February 2006.

2. Drainage and Irrigation and Sea and River Defence Systems

4.23 Mr Speaker, as an area that has been accorded a high priority, the Government will be paying closer attention to improving the drainage and irrigation system throughout the country, to be better able to deal with the impact of the climatic changes

being experienced in Guyana. In this respect, the sum of \$795 million has been allocated to the National Drainage and Irrigation Board (NDIB) to conduct urgent works in the urban areas and the Regions. Some of the major activities include: in Region 2 - rehabilitating channels and structures from Westbury to Cozier, and from Lima to Good Hope; and rehabilitating embankment at Iturbisi Conservancy and a drainage pump at Cozier; Region 3 - constructing culverts at northern and western Hogg Island and earthen dam at Palmyra, Wakenaam; rehabilitating structures and channels in Northern Leguan, and excavating canals at Hubu and Goed Intent/Sisters Villages; and rehabilitating embankment and structures on the Boerasire Water Conservancy; Region 4 - constructing a new sluice at Triumph, East Coast Demerara; undertaking emergency repairs and remedial works on the East Demerara Water Conservancy (EDWC); rehabilitating channels and structures in Buxton/Friendship, Mon Repos/Plaisance, Mocha/Timehri, and Grove/Haslington areas; Region 5 - construction of a check structure through the Perth/Baiboo main canal; Region 6 - purchase and installation of two mobile pumps; and rehabilitation of channels and structures in Black Bush Polder, Mara and Highbury, East Bank Berbice.

4.24 A major development this year will be the commencement of civil works under the Agriculture Support Services Programme. An amount of \$540 million will be expended to undertake primary and secondary drainage and irrigation works in Vergenoegen/Bonasika, Den Amstel/Fellowship, Vreed-en-Hoop/La Jalousie and Canals Polder in Region 3; Golden Grove/Victoria and Cane Grove in Region 4, Black Bush Polder and Nos. 52- 74 Villages and Crabwood Creek in Region 6. Works will continue in the MMA-ADA Scheme, including the rehabilitation of the Abary Conservancy dam, primary channels and access roads. Equipment, costing \$500 million, is due to arrive in 2006 and they will be used to rehabilitate approximately 160 miles of secondary D&I channels and 95 miles of fair weather access roads.

4.25 The Hydrometeorological Project, involving the installation of a modern Doppler radar system, got underway last year. Land was acquired and personnel were trained. Once completed during the second half of this year, it is expected to improve weather and

climate forecasting for national and international aviators, farmers, and others. The sum of \$120 million has been budgeted to commence construction for the radar.

4.26 Over \$2 billion will be expended to continue the sea defence programme. Of this amount, about \$650 million will be utilised for emergency sea defence works, specifically the rehabilitation of critical sea and river defence in Regions 2, 3, 4, 5, and 6. Under the Essiquibo and West Demerara Sea Defence Project, a sum of \$1.1 billion has been budgeted for sea defence reinforcement at Profit Foulis/Belladrum, Capoey/Columba, Tuschen and Hague; establishment of shorezone monitoring; and provision of materials, among other activities.

3. Power

4.27 Mr Speaker, the rapid rise in the international price of oil over the past two years and the outlook for a continuation of this trend, if not the maintenance of high prices in the medium term, point to the need to accelerate the search for petroleum deposits as well as finding an alternative to our present dependence on fossil fuels for our energy needs. Fuel currently represents about 28 percent of the country's merchandise import bill, thus placing a heavy demand on foreign exchange. Although Guyana has signed on to the PetroCaribe Initiative, its activation will not result in reduced prices. Instead, it represents temporary balance of payments assistance, in the form of deferred payments, which will have to be repaid in future. Previous petroleum exploration efforts have met with little success, the most recent being CGX which abandoned the site in Berbice late last year, after discouraging results. It would seem that significant progress in this area would have to await resolution of the controversy between Guyana and Suriname in relation to the maritime boundary.

4.28 A number of issues, including remoteness of location and difficulty of transmission, affect the viability of alternative sources of energy such as bio-fuels, wind, and solar energy. But these have not prevented the search for alternatives. For example, the Guyana Energy Authority (GEA) is facilitating a private investor to construct a wind

farm at Good Hope, East Coast Demerara, which will have an installed capacity of 12 megawatts. As part of the Skeldon Modernisation Project, a co-generation plant is being built and 10 megawatts of power will be supplied to the national grid. But by far the most promising option, and one that is under active consideration, is the development of our hydropower potential. In this regard, the Government of Guyana, Guyana Power and Light Company and Synergy Holdings Inc. are engaged in discussions with the initial objective of concluding a Power Purchase Agreement. This is a prelude to the eventual launch of a project to construct a hydropower station to supply the national grid. The station, which would be built at Amaila Falls, at an approximate cost of US\$330 million, will have a capacity of 100 megawatts.

4.29 The Guyana Power and Light Company is forging ahead with its programme to expand electricity generation to meet the growing demands of the economy and the population. In this regard, a US\$120 million plan has been developed, encompassing short and medium term measures that will allow the company to deliver an efficient and reliable power supply. Among actions to be taken are: the introduction of 50 megawatts of new generation within two years; construction of transmission lines and sub stations; implementation of substantial loss reduction programmes; and the connection of new customers in unserved and underserved areas. The plan calls for the increase in generation capacity and transmission facilities to be met by Independent Power Producers (IPPs). In this regard, tenders were received from five groups, evaluations have been completed and negotiations are ongoing with the first ranked bidder to purchase 35 megawatts of power along with associated transmission lines. Finally, about US\$8 million will be spent over the next 3 years on loss reduction activities.

F. Strengthening Quality, Access and Delivery of Social Services

1. Education and Training

4.30 Mr Speaker, as we have consistently remarked, our capability to compete effectively in the context of the CSME and the wider globalised world will depend, to a

large extent, on our investment in our people. The importance of a well-educated, well-trained and skilled workforce cannot be underscored. The pace and success with which we are able to integrate our economy within these blocs will depend entirely on the access of our population to quality education and training that is delivered in an effective and equitable manner. This has been thrust of our policies, projects and programmes in the sector, and it will continue this year. During 2006, the Ministry of Education will begin an in-depth assessment of the achievements of the current five-year plan, 2003-2007, and will initiate the preparation of the next medium term plan.

4.31 Under the Basic Education Access Management Support (BEAMS) Programme, a sum of \$900 million has been budgeted to implement a range of activities. The first batch of schools will be completed and equipped with laboratory facilities for technical and vocational subjects, in keeping with the policy of providing an alternative path to secondary education. The construction of the Diamond School and the design of the second batch of schools under the Programme will commence. Mr Speaker, the construction of these new secondary schools as well as the renovation of five others would help to reduce the problems of overcrowding in secondary schools and insufficient placement at the secondary level. At the same time, efforts to improve the quality of secondary education and to make universal secondary education a reality will continue through continued professional development of administrators and teachers; the provision of more learning materials, including computers and other audio visual material; the provision of curriculum guides, practical guides and teacher manuals for core subjects and Reading Grades 7 to 9; and the active promotion of Health and Family Life Education in schools.

4.32 Under the Education For All - Fast Track Initiative, an allocation of \$800 million will be utilised to establish eleven (11) additional resources centres; continue payment of the Remote Areas Incentives to teachers; construct teachers' homes, with one house being built in each of the 4 hinterland regions; and upgrade sanitary facilities and utilities (water and electricity), with the focus being on schools in Regions 1, 7, 8 and 9. Additionally, a multi-agency School Feeding Committee will be appointed to advise on

the upgrade of the School Feeding Programme and monitor its implementation. The peanut butter and cassava experiment will be expanded to more schools and a hot meal programme for primary schools in the four hinterland regions will start with the involvement of the communities. Approximately \$160 million (or \$150 per child per day) is available for this initiative. More textbooks and learning materials will be supplied, with the intention of having every primary school student provided with at least one textbook in the core subject areas.

4.33 The Grade I Interactive Radio Instruction (IRI) programme in mathematics and the literacy programme will be launched in Georgetown and Region 2. Grade 2 of the IRI programme will start in the second half of the year. These programmes will be supported countrywide through the establishment of Regional Literacy and Numeracy Units. The Ministry of Education will continue to promote School Improvement Planning at all levels of schools. As an incentive, additional funds will be made available to those primary schools which produce viable School Improvement Plans. The Ministry will also encourage the Regions to use these plans as the basis for their own work programmes.

4.34 In excess of \$300 million will be expended on repairs to various educational buildings, procure furniture and equipment, and provide textbooks at all levels of the education system. The Ministry recognises that all of these activities will require additional administrative support and monitoring, and will therefore move to improve staffing and operations of key units. The reports of consultants who looked at organisational and structural matters will be reviewed, with a view of implementing those recommendations that are considered viable.

2. Quality Healthcare and Wellness

4.35 Mr Speaker, another component of our strategy to enhance the socioeconomic status of the population is the provision of quality health care and the promotion of healthy living. Over the years, the expanding tax base, which has been supplemented by substantial debt relief and concessional financing, has allowed us to increase our

investment in the sector and broaden the range of services offered. This has had a decidedly positive effect on the population, as evidenced by the improvement in several health indicators. To give an example, where before only 600 cataract surgeries were being done countrywide, over 1,000 were performed at the New Amsterdam Hospital alone last year. These surgeries are also being performed at the Georgetown Public Hospital and we expect to clear the backlog by the end of the year.

4.36 Mr Speaker, other key programmes which we have initiated or intend to pursue this year and in the near future include:

- A collaborative Eye Care Programme between Guyana and Cuba that allows patients with visual impairments to undergo surgery in Cuba. Since the programme's inception last year, nearly 2,000 persons have benefited;
- Collaboration with the Government of Cuba on the possible establishment of a permanent eye-care facility to deal with cataracts and other eye-care problems;
- A Special Schools' Programme, Vision 2020, which was introduced through the Pan American Health Organisation (PAHO), where teachers and parents are taught to detect vision problems;
- The Cuban Scholarship Programme under which 100 students are currently being trained to be doctors;
- A Radiation Oncology Service (study and treatment of tumours). Currently, many cancer sufferers have to travel abroad to undergo extensive and expensive treatment. This service, whose provision will cost the Government millions of dollars, will be offered to patients on a cost recovery basis that will be cheaper than overseas treatment;
- A Dentistry Programme; and
- A joint venture with a United States based group to provide a cardiac unit for heart surgery in Guyana.

4.37 We have also taken other actions to boost the health sector, including the recruitment of foreign doctors in general and specialist fields; the large scale recruitment

and training of nurses to counter the current shortage; and facilitating the establishment of off shore medical schools in Guyana. Under the Basic Nutrition Programme, \$265 million has been allocated to engage two consultants to train primary healthcare workers and community-based breast feeding counsellors, and mount a public awareness programme in nutritional behaviour changes. The implementation of these consultancies will broaden the administration of sprinkles and coupons beyond the 13 health centres.

4.38 The Health Sector Programme will benefit from an allocation of \$455 million which will be used to commence construction of the Linden Hospital; and upgrade the electric, water and sewerage systems, and rehabilitate the In-patient Ward at the Georgetown Public Hospital. These resources will also be used for institutional strengthening of the Ministry of Health, and institutional and organisational strengthening of the Health Management Committee in Region 6.

4.39 Mr Speaker, the sum of \$370 million has been earmarked for the enhancement of HIV/AIDS awareness and prevention initiatives. The HIV/AIDS national response by line ministries and civil society will be stepped-up, while the Ministry's programmes of prevention, treatment and care, and support services will be expanded. Another \$150 million has been set aside for other activities in the health sector, including infrastructural works at the Georgetown Chest Clinic, Kitty Health Centre, Suddie and Charity Hospitals, and doctors' quarters.

3. Housing and Water

4.40 Mr Speaker, over \$1.9 billion has been budgeted to increase access to improved housing facilities for low-income families. Under the Low Income Settlements Programme Phase 2, the sum of \$1.1 billion has been provided to develop another 5,300 house lots in areas such as Zeelugt North, Hampshire South, and Williamsburg South. Under the Low Income Housing Programme (LIH), the sum of \$500 million has been allocated to construct roads, drains and structures, and install the water distribution network in squatter settlements at Belle West, Glasgow, Areas "Y" Cummings Lodge and

Sophia among other areas. Under the programme supervised by the Central Housing and Planning Authority (CH&PA) about \$360 million will be expended to develop housing infrastructure at Port Kaituma, Mabaruma, Orealla and Siparutta. The focus will also be on areas such as Anna Regina, Supernaam, Golden Groove, Diamond and Rose Hall. Private developers are expected to complete construction of an additional 500 houses in Tuschen, Parfaite/Harmony and Diamond Housing Schemes, among others.

4.41 A provision of \$1.5 billion has been made for the water sector. Under the Georgetown Remedial and Sewerage Project, over \$700 million will be utilised in the construction of Iron Removal Plants at Central Ruimveldt and Sophia; rehabilitation of the water distribution main in North Ruimveldt, installation of transmission mains and water metres, refurbishment of the Shelter Belt Water Treatment Plant and construction of a sludge receptacle at Tucville. A sum of \$240 million has been allocated for service connection, implementation of the Hinterland Water Strategy, construction of ground storage tanks, procurement of hardware and software, and development of new networking systems. In addition, studies have been completed and grant financing secured for the construction of a water treatment plant and water holding tanks, and the provision of water metres for Corriverton. A grant of \$2.4 billion has also been secured for water systems in areas such as Anna Regina and Parika.

4. Youth and Sports

4.42 Mr Speaker, over the years, our expressed priorities were improving the quality of social services and restoring the country's physical and economic infrastructure. While these remain pivotal, we propose to broaden our focus to other areas, now that our debt service has been reduced drastically and our revenue base has expanded. Two areas that will occupy our attention, in this respect, are youth and sports.

4.43 With a view of enhancing youth development and getting more of our *young people* into gainful employment, we developed a number of training programmes. These include the President's Youth Award and the President's Youth Choice Initiative. In

addition, there is the Young Entrepreneurial Skills Training Programme, which is executed by the Ministry of Culture, Youth and Sports. Last year, yet another initiative was launched. The National Training Programme for Youth Employment is an ambitious, three year, \$350 million programme that will teach 5,250 youths various skills. It will be administered by the Board of Industrial Training and will target early school leavers and out-of-school youths between the ages of 16 and 25 years, the cohort that experiences the greatest difficulty in obtaining employment.

4.44 Among the skills to be taught are carpentry, welding, plumbing, surveying, refrigeration and air conditioning, leather craft and clerical. Life skills education would feature prominently under this programme so as to ensure that the trainees achieve competency in basic literacy, numeracy and social development skills. It is expected that at the end of the training, the persons will be able to gain employment in the public and private sectors or access further training, be it formal, technical or vocational.

4.45 Mr Speaker, in the area of *sports and recreational development*, the premier activity is undoubtedly the building of a modern, \$5 billion multi purpose stadium. Although this project is being executed principally to fulfil a key condition for hosting World Cup 2007, its completion would nonetheless fill a void for proper facilities for hosting international sporting and cultural events in Guyana. Other key initiatives that the Government will be taking in 2006 include: (i) the injection of \$20 million into football to support the development of 40 clubs throughout the country and assist footballers with their education; and (ii) the development of the Seawall and D'urban Park to accommodate a variety of sports and recreational activities. In addition, we will reconstitute the National Sports Council and have increased its allocation to address the development of sports in the country. Further, Regional Sports Councils will be set up this year. In the medium term, we propose to establish libraries and other educational, cultural and recreational facilities in each Region so as to benefit all Guyanese.

5. Special Poverty Intervention Programmes

4.46 Mr Speaker, we have budgeted more resources to accelerate the implementation of our special poverty intervention programmes. These programmes are aimed at improving the living standards and economic opportunities of the poorest and most vulnerable households of the society, and increase the capacity of poor communities to articulate and act upon their priority needs. They fall under four broad headings: Poor Rural Communities Support Services Programme; Linden Economic Advancement Programme; Basic Needs Trust Fund; and Social Impact Amelioration Programme.

4.47 The sum of \$661.3 million has been budgeted under the Poor Rural Communities Support Services Programme to undertake 24 civil works projects in Region 3, including rehabilitation of channels; rehabilitation and construction of structures; and improving access dams. Another 30 infrastructure civil works projects are being considered, including the Water Supply Project in Free and Easy and the construction of a multi purpose building at La Harmonie. Visits will be made to several communities in Regions 2 and 3 to conduct training, from which over 2,500 persons, including farmers' leaders and community members, are expected to benefit. Loans will be provided to approximately 2,000 persons to pursue self employment activities.

4.48 A sum of \$450 million has been earmarked for the Linden Economic Advancement Programme in 2006. A part of these resources will go to the Linden Economic Advancement Fund (LEAF), from which another 300 loans would be disbursed. Outposts to administer the LEAF at Kwakwani and riverain areas would be established. The other part will be used to rehabilitate 3 miles of farm-to-market roads and 9 miles of access roads to logging areas; rehabilitate a wharf, roads and buildings; and complete the feasibility study for the upgrading of the Moblissa Road. Training activities will continue, including an apprenticeship scheme for 30 youths, preparation of business plans, along with programmes through alliances with the Institute for Private Enterprise Development. A job centre will be established to support business initiatives.

4.49 The resources that have been budgeted for the Basic Needs Trust Fund, amounting to \$676 million will be used to implement approximately 66 projects: 13 in the Water sector, 17 in the Education sector, 31 in the transportation sector, in particular roads, and 5 in the Health sector. Under the Social Impact Amelioration Programme, \$1.2 billion will be expended on projects in the Education, Water, Drainage and Irrigation, Transportation (roads) and Health sectors.

4.50 Mr Speaker, other forms of assistance, which target the vulnerable segments of the population, and which will continue this year, include:

- The provision of uniforms to school-aged children; payment of funeral expenses to poor families who lost family members under tragic circumstances; payment of medical expenses; and the grant of financial assistance and training to vulnerable individuals to help them to start small economic ventures;
- The exemption of pensioners from the payment of water rates, as a result of which Government will pay an annual subsidy of \$200 million to GWI;
- The distribution of free spectacles to senior citizens and needy school children;
- The payment of Old Age Pensions and Public Assistance; and
- The operation of the Palms institution for the elderly indigent (236 persons), the Drop-in-Centre for street children (32 persons), the Mahaica Home for Children in conflict with their families (35 persons) and the Night Shelter (150 persons).

G. Public and Financial Sector Reform

1. Public Sector Reform

4.51 Mr Speaker, in 2006, further action will be taken to reform and modernise public sector operations. In this respect, the Public Management Modernisation Programme will spend \$215 million to improve the capacity of the Public Service Ministry (PSM) and to enhance its competence to regulate and manage the public service system. We will also

develop and implement an institutional framework to classify Semi-Autonomous Agencies and Statutory Bodies.

4.52 The sum of \$257 million has been set aside to improve project management. Among the activities to be pursued are the establishment of a Pre-investment Fund and a Projects Databank for all public investment projects; on-line access to data on public investment; and training of personnel in the operation of the new procedures, information systems and technical methodologies.

4.53 Under the Fiscal and Financial Management Programme, an amount of \$521 million has been allocated for the installation of a modern Information Technology System for tax and customs administration; training evaluators and technical advisors for the Project Execution Unit; designing and implementing the Tax Identification Number (TIN); and expanding the use and functionality of the Integrated Financial Management and Accounting System (IFMAS) of the Ministry of Finance, among others.

4.54 Under the Social Statistics And Policy Analysis Project, almost \$140 million has been budgeted for the organisational assessment of the Bureau of Statistics and the rehabilitation of its building; implementation of a human resource development strategy; conducting developmental work in the areas of cartography, sampling, national accounts and vital statistics; and development of a website.

4.55 The institutional strengthening of the Office of the Auditor General (OAG) will continue with work being focused on improving the procedures, professional practices and technical standards of the OAG, including the introduction and use of audit software packages, support for external training and certification programmes, and provision of local training in audit planning, performance audit, maintenance of working papers, audit report writing and auditing of specific areas. Additionally, the project will seek to create a climate of accountability by publishing brochures outlining the role of the Audit Office and coordinating with other governance projects to promote the implementation of internal control systems within other government agencies.

2. Financial Sector Reform

4.56 Mr Speaker, amendments to the Anti-Money Laundering legislation, which are in keeping with international standards, will be drafted this year. Government will complete examination of the report arising from the Financial Sector Assessment Programme (FSAP) and will consider the recommendations arising therefrom.

H. Debt Administration

4.57 Mr Speaker, building on the success achieved in the previous years, the Government will continue to seek debt relief from its outstanding non-Paris Club bilateral creditors and its main multilateral lender, the Inter-American Development Bank (IDB). Whilst Guyana will benefit greatly from the cancellation of IMF and IDA debts under the Multilateral Debt Relief Initiative (MDRI), the debts owed by Guyana and the other HIPC member states of the IDB were not included. This year, we will continue the lobby started, in 2005, by His Excellency President Jagdeo for the Multilateral Debt Relief Initiative to be extended to debts owed to the IDB by its poorest members.

4.58 Mr Speaker, in an effort to increase our capabilities for effective aid and debt management administration, we are developing a National Capacity Building Plan for Aid and Debt Management. This plan will include recommendations for strengthening the institutional framework in all aspects of new financing and debt management. We will also be reviewing the laws governing the aid and debt management process. Finally, work will continue on building capacity to maintain an up-to-date and accurate database of the public debt, provide regular analysis of the debt sustainability position and formulate a comprehensive debt strategy. This will include the preparation of guidelines and detailed procedures manuals for the departments involved in the debt management process.

I. Making our Communities and the Wider Society Safer

1. Policing and Crime

4.59 Mr Speaker, the crime scourge has been plaguing Guyana and indeed the rest of the Caribbean for some time. There is no doubting the fact that an increase in the number and type of crimes has the potential to negatively affect the country's long term growth and development prospects. In this regard, it is absolutely vital that we have a thorough understanding of the nature of the problem so as to devise an effective strategy on crime. Mr Speaker, the situation is not helped by the growing drug menace, arms smuggling, people trafficking, gun related crimes and the upsurge in deportations, mainly from United States, Caricom countries and French Guiana.

4.60 Mr Speaker, crime is everybody's business; therefore, our responses must reflect this fact, not only at the national level, but also regionally and internationally. During the 2005 Budget Presentation, I outlined some of the measures that we had taken, or were taking, to tackle both serious crimes, such as drug trafficking and trafficking in persons, and petty crimes. Since then, we have initiated a number of other actions. These include:

- The establishment of a National Commission on Law and Order. Among its tasks is the mobilisation of all stakeholders in the society for crime prevention and reduction;
- The launching of a \$650 million National Drug Strategy Master Plan, 2005-09, which outlines several interventions to create a safer environment and equip the Guyana Police Force with the skills and intelligence necessary to deal with crime and crime-related activities;
- Strengthening of law enforcement, including:
 - Recruitment of 600 persons to be trained to become neighbourhood police based in villages and towns across Guyana;
 - Restructuring and revamping community policing, including the establishment of a Community Policing Secretariat, in the Ministry of

Home Affairs, to coordinate and assist community policing groups, and improve their partnership with the Guyana Police Force in crime fighting and prevention;

- Construction of new police stations and outposts in previously unserved areas and repair of a number of existing stations;
 - Acquisition of vehicles, including bullet-proofed and rapid intervention vehicles, boats, motor cycles, bicycles and engines, as well as equipment to enhance the communications and forensic capability of the Guyana Police Force; and
 - Heightened training, both locally and internationally in a range of areas.
- Close collaboration with the private sector and Non Governmental Organisations. This has resulted in, for example, the granting of tax concessions for businessmen to purchase surveillance equipment to boost security in and around their premises;

4.61 Mr Speaker, this year we intend to put the necessary legislation in place for the establishment of a Deportee Monitoring Unit, as part of a series of measures designed to counter the negative impact of the growing number of deportees within our midst. We are also in discussion with the Drug Enforcement Agency (DEA) of the United States to set up a station in Guyana. We have secured financing to undertake a major Citizens Security Programme to boost the institutional capacity of the Guyana Police Force and the involvement of communities in crime fighting. The sum of US\$1 million has been made available to develop a national strategy to prevent crime and violence; strengthen the capacity of the Guyana Police Force and the Ministry of Home Affairs; and develop community interventions with special attention placed on youths at risk and youth violence. The wider project is expected to cost US\$10 million.

2. Judiciary

4.62 Mr Speaker, the Judiciary has an extremely important role to play in our fight to make our communities and the wider society safer. Indeed, if Guyana is to progress socially and economically, a strong, independent and efficient justice system is vitally

necessary. The Judiciary has benefited from increased budgetary allocations, with some of the interventions targeted at reducing the court backlog and streamlining court procedures. To that end, computers were provided to judges and key support staff to improve the timeliness in the disposition of court cases. In addition, books for the law library to facilitate judges' legal research were provided. This year, technical assistance will be provided on how to improve case management, including case disposition and alternative dispute resolution. Further, we will establish a commercial court during this year.

4.63 A more comprehensive programme of reform and modernisation of the Justice Sector is currently under active consideration. The Government is presently engaged in discussions with a view to securing US\$17 million of financing for a Justice Sector Strengthening Programme. The objective of this programme is to improve the efficiency, effectiveness, reliability and timeliness of the justice system. Among the areas that will receive attention are revision of laws; refurbishing of existing, and construction of new, buildings where necessary; and the establishment of an information management system and computerisation. The groundwork for the programme has already been laid with a grant of US\$330,000 to provide a documented analysis of the key issues facing the justice administration system as well as a road map to guide future policy and institutional changes.

J. A Cleaner and Brighter Environment

4.64 Mr. Speaker, as we prepare to host World Cup 2007, as we move to attract more tourists to our country, and as we seek to enhance socio-economic growth and the quality of life of our people, the attractiveness of the environment takes on added importance. Decrepit buildings, unlit houses and streets, pot holed roads, uncollected and wanton disposal of garbage and clogged drains are among unpleasant sights that can give a community a slum-like appearance. A clean and tidy environment is both aesthetically beautiful and pleasing to the eye. It increases feelings of self worth while giving a sense

of peace and comfort to the citizenry. We have, therefore, allocated increased resources in this budget to clean and beautify the environment.

4.65 Our programme of urban renewal will be accelerated, now that Phase II of the Urban Development Programme is in place. The Corriverton and Number 79 Village Markets, and the New Amsterdam Town Hall and Market will benefit from works estimated at \$67 million. Another \$240 million will be spent on Wismar Market and the Linden Town Hall, Bush Lot Market, and MacKenzie and Amelia's Ward Markets. For the repair of roads and drains, an estimated \$235 million will be spent in Corriverton and Rose Hall, \$67 million in Linden, \$67 million in Anna Regina, and \$500 million in Georgetown. In addition to these activities, the Government will upgrade and rehabilitate rural markets at Mon Repos, Plaisance, Lusignan and Port Mourant, and complete the market at Hydronie. The civil works component of the US\$16.3 million Community Services Enhancement Programme will get underway this year. This involves the reconstruction of stellings, roads and other infrastructural works in Parika, Charity, Supernaam, and Bartica.

4.66 We have budgeted \$817 million to continue works under the Unserved Areas Electrification Programme. The areas and number of houses that will be targeted this year include: Anna Catherina South (130 lots); Crane (599 lots); Turkeyen – Section C (813 lots); Sparendam (144 lots); Lusignan Pasture (50 lots); Paradise – Area G (49 lots); Plantation Farm (182 lots); Essau & Jacob (40 lots); Governor Light (30 lots); Bara Bara (40 lots); Yarrow Creek (60 lots); Paradise – BLK 9 (943 lots); Lesbeholden (288 lots); Belvedere/Hampshire (288 lots); and Kilcoy/Chesney – North (275 lots). A total of 9,692 house lots will be positively affected. Areas that will benefit from the locally funded programme include Moca, Diamond, Adelphi, Cullen Sands, and Adventure.

4.67 Mr Speaker, a new initiative that was launched earlier this year is the Community Enhancement Project (CEP). Targeting mostly young people without formal education, this project involves the hiring of over 3,225 persons from various communities in Regions 1, 2, 3, 4, 5, 6 and 10. These persons, who will be under the supervision of the

Neighbourhood Democratic Councils (NDCs), will be given tools for weeding, cleaning drains, keeping roads free of grass growing on the parapet, among other related jobs. The initial period of this project is one year and must be seen as supporting the NDCs in the discharge of their responsibilities to the residents.

4.68 The implementation of the Georgetown Development Plan, Phase I, will continue this year. Work on the D'urban Park site will be accelerated. Of the \$2.4 billion that has been budgeted under the Miscellaneous Roads Programme, about \$1.4 billion will be spent to continue improving several roads in the Capital City. Last year, Oronoque Street, Crown Street and Light Street were among the streets that were repaired under this programme.

4.69 Mr Speaker, the improved lighting of our highways and several main roads would not have gone unnoticed. To date, we have installed lights from the Russian Embassy to Better Hope along the East Coast (252 lamps); Mahaica-Rosignol Highway (619 lamps); Mahaica and Mahaicony Bridges and Approaches (132 lamps); Timehri to Republic Park (132 lamps); Ruimveldt Police Outpost to Demerara Harbour Bridge and Demerara Harbour Bridge to Vreed-en-Hoop (460 lamps); and Kitty Pump Station to Bandstand (48 lamps). In addition, through the initiative of the Mayor and City Council, 360 lamps were either replaced or newly installed in various areas of Georgetown, including South Ruimveldt, Queenstown, Lodge and Albertown. Already, the beneficial impact is visible in the form of reduced accidents at night, improved security for self and property, and greater business and social activities. This year, we plan to continue the programme with the installation of 48 lamps in the Parika area and 400 lamps on the East Coast highway between Better Hope and Enmore.

4.70 Mr Speaker, with regards to the Solid Waste Disposal Programme, \$160 million has been earmarked for institutional strengthening and capacity building for solid waste management, to mount public awareness campaign programmes, to plan and implement a strategy for raising awareness and encouraging participation in solid waste management in Georgetown and surrounding NDCs, and to build capacity within local counterparts, so

that community awareness activities are sustained after completion of the project. A temporary waste disposal facility has been established at Lusignan Backlands and is to be managed by a private operator. Another solid waste disposal facility is proposed for Windsor Forest Backlands in Region 3. Additionally, a new US\$20.6 million solid waste project will come on stream this year. The Environmental Impact Assessment has already been completed, paving the way for the establishment of a modern solid waste facility, inclusive of healthcare and hazardous waste treatment technology, and the procurement of a special collection truck. The resources will also be used to provide for the design, construction, and operation of the new sanitary landfill, and to support waste collection from participating NDCs.

K. Enhancing Democracy and Good Governance

4.71 Mr Speaker, we have taken important steps and made strides in our quest to strengthen our young democracy and improve governance in Guyana. From constitutional reform to Parliamentary changes, we have been forging and deepening a new democratic culture in the society. This year, another important step will be taken. I speak of the holding of General Elections, which are constitutionally due by August 4 this year. The Government has given the assurance to the independent Guyana Elections Commission that the necessary resources will be made available for the conduct of free and transparent elections. Several donors have also offered various forms of assistance to promote and support a credible elections process, including registration, voter education and preparation of training manuals.

4.72 Mr Speaker, as a key stakeholder in the governance framework, the Opposition has been afforded wider and more meaningful participation in the affairs of state. They are represented on all of the Committees of Parliament, and in some cases, actually chair them. More Bills were referred to Select Committees last year than previously. Also, the Standing Orders were amended to open meetings of the Parliamentary Select Committee to the public. This agreement was brokered after much discussion between the Government and the Opposition.

4.73 Following the recommendations made by various reports on improving the efficiency of Parliament, a number of other Standing Orders will be revised. The Government has already agreed to some 30 of the recommendations made in a report on improving fiduciary oversight in Guyana. These recommendations target special organs of fiduciary oversight for attention, including the Parliament, Office of the Auditor General, the Integrity Commission and the financial sector. This matter has been placed before a Special Select Committee of Parliament and a report is expected by month end. Mr Speaker, I must commend the spirit of cooperation that characterises the work of the Committees and make bold to say that it augurs well for building trust, engendering confidence, and creating lasting vistas of peace and stability. It is my fervent wish that this atmosphere of cooperation, peace and tranquillity will continue to prevail during and after the holding of the General Elections later this year.

L. Amerindian Development

4.74 Mr Speaker, a number of actions have been taken to enhance the quality of life of the Amerindian people of Guyana. At the level of the administration, the Amerindian Programme will be delinked from the Office of the President in the second quarter of this year and the new Ministry of Amerindian Affairs will be responsible for its own budget. Currently housed in a spanking new building, which was completed last year, the new Ministry will be in a better position to formulate and implement policies and programmes to promote and facilitate the economic and social advancement, and protect the rights of, the Amerindian people.

4.75 In that regard, a top priority would be the passage of the new Amerindian Act. The spirit of the Act addresses issues of land reform, equitable access to resources and government services and community participation in decision making, among other issues critical to improving the standard of living of Amerindians. A new health programme, which will come on stream this year, will specifically focus on increasing access of Amerindian communities in Regions 1, 7, 8 and 9 to primary health care.

Among the activities that will be pursued are the strengthening of the department of regional health services of the Ministry of Health; improving the health system organisation and referral point to Amerindian communities; provision of basic health and communication equipment; and training of health workers in the hinterland regions.

M. Foreign Policy and International Cooperation

4.76 Mr Speaker, the Government will continue to pursue a dynamic and pragmatic foreign policy—one that is based on respect for international law, multilateralism and mutual respect in the conduct of relations between states. The primary focus is the preservation of Guyana's sovereignty and territorial integrity as well as the promotion of the economic and social well being of the country and its peoples. In the execution of Guyana's foreign policy, the Ministry of Foreign Affairs will continue to foster and strengthen relations with foreign countries and increase trade and investment opportunities. Our overseas Missions are expected to play a key role and, in this regard, the Government will appoint Honorary Consuls in several countries where there is no resident representation.

4.77 As a member of the United Nations Economic and Social Council, UNDP's Executive Board and the Global Environment Facility, Guyana is ideally positioned to attract the support of developed countries and development-related organisations. Our external policy is thus oriented to the achievement of the aims and objectives, which are defined in such important documents as the National Development Strategy and the Poverty Reduction Strategy Paper. As a member of Caricom, we will strive to coordinate our foreign policy and accelerate the regional integration movement so as to build greater solidarity among our peoples and maximise our strength vis-à-vis our larger economic partners. In cooperation with the UNDP, the Government will strengthen its partnership with the international community to achieve the Millennium Development Goals and thus lay a strong economic and social foundation for our future prosperity.

4.78 Mr Speaker, the Government places great store by and views highly the contribution which the Guyanese Diaspora has made and continues to make to the welfare of Guyanese communities at home and abroad. Its response to the flood relief efforts last year was an eloquent testimony of the potential of our collaboration. A more structured relationship with the Diaspora will, therefore, be pursued with a view of unleashing this potential and maximising the contribution of our overseas communities to our development. To this end, a forum is planned for this year at which representatives of overseas communities would be brought together to discuss and chart the way forward.

Targets for the Economy in 2006

5

A. Real Gross Domestic Product

5.1 Mr Speaker, in spite of the setbacks experienced for the year so far, as a result of flooding in many areas of the country, we still anticipate a reversal of the severe contraction of the economy last year. Real Gross Domestic Product (GDP) has, therefore, been projected to grow by 4.3 percent, with most of the sectors contributing to this recovery.

1. Agriculture

5.2 Mr Speaker, there is a budgeted 28 percent turnaround in *sugar production* to 315,000 tonnes. Part of this would represent a recovery from last year's low level while the other part will be due to expansion in keeping with the Guysuco Action Plan. Given the present situation in a number of rice growing areas, only a small improvement of 4.5 percent has been budgeted for *rice*, whose output should reach 290,000 tonnes. Both the *fishing* and *forestry* sub sectors are projected to increase by 1 percent and 4 percent respectively. On the other hand, flooding is expected to affect *livestock* and *other crops*, which have been projected to decline by 3 percent and 4 percent respectively.

2. Industry

5.3 In spite of anticipated good performances by bauxite and gold declaration by small miners, the *mining and quarrying sector* would continue to feel the effects of the lost contribution of Omai Gold Mines Limited; therefore, output of the sector has been programmed to decline by 15.4 percent. Bauxite production should rise to 2,832,000 tonnes, an increase of 77.6 percent. Gold production is projected to decline by 40 percent to 160,000 ounces while output of diamonds is expected to fall by 5 percent to 340,000 carats. On the positive side, the huge increase in building, *engineering and construction* activities has been reflected in the projected 4.5 percent growth of the sector. The

manufacturing sector is budgeted to increase by 2 percent, continuing the reversal observed last year.

3. Services

5.4 Mr Speaker, the services sector is programmed to play a major role in the achievement of the planned recovery of the economy. Strong growth is expected from the following sub sectors: *transportation and communications*, 4 percent; and *distribution*, 4 percent. The other sub sectors—*rent of dwellings, financial services and other services*—are projected to grow by 1.5 percent, 2 percent and 2 percent respectively. *Government* is expected to remain flat.

B. Monetary Policy and Inflation

5.5 Mr Speaker, the objective of our monetary policy will continue to be the expansion of the economy in the context of low inflation and a viable international reserves position. Private sector credit is targeted to grow further this year, as are public sector deposits. The Bank of Guyana will continue to play an activist role in fostering price stability and defending the exchange rate.

5.6 Mr Speaker, the inflation rate is projected at 6.3 percent. The Government will take such actions as are necessary to keep the inflation rate in check. In this regard, earlier this year, we reduced the Consumption Tax on dieselene from 20 percent to 17.5 percent, while the state-owned Guyana Oil Company (GUYOIL) slashed the retail price of kerosene by 14 percent to \$536 per gallon.

C. Balance of Payments

5.7 Mr Speaker, in line with the expected recovery in the real sector, and notwithstanding the loss of earnings from the closure of Omai Gold Mines Limited, merchandise exports are projected to rise by 2.5 percent to US\$562.7 million. Increased

earnings are expected from the export of bauxite, US\$95 million, an increase of 55.5 percent; sugar, US\$145 million, an increase of 22.9 percent; and rice, US\$52 million, an increase of 12.6 percent. Receipts from the export of timber and other goods are budgeted to grow by 6.2 percent and 1.7 percent respectively. Merchandise imports are targeted to grow by 4 percent to US\$817 million. Although the rapid increase in the international price of oil has abated, fuel imports are expected to rise by 7 percent to US\$236 million. Imports of other goods are projected to increase by 2.9 percent to US\$581 million.

5.8 Net payment for services is budgeted to increase slightly to US\$85.5 million, from US\$83.2 million, while net transfers should decline to US\$140 million, after the extraordinary increase last year. These projected outcomes will cause the current account deficit to deteriorate to US\$199.8 million. The capital account is budgeted to realise net inflows of US\$198 million, an increase of 9.3 percent. A combination of higher disbursements and lower debt servicing would be partly responsible for this improved performance. The overall balance of payments position is programmed to decline to US\$6.7 million, but this would be adequately financed by generous debt relief, especially under the Multilateral Debt Relief Initiative. This would allow the Bank of Guyana to accumulate additional reserves of US\$10 million.

D. Targets for the Non-Financial Public Sector

1. Central Government

5.9 Mr Speaker, although total expenditure (net of rice levy) is projected to rise by almost \$10 billion, the overall position of the Central Government is not expected to deteriorate substantially. Current revenue (net of rice levy) is projected to grow by 4.4 percent to \$58.5 billion, with the GRA almost maintaining its 2005 share. Customs and Trade taxes are programmed to increase by 5.6 percent to \$27.2 billion, while a marginal increase in internal revenue, from \$27.1 billion last year to \$27.6 billion this year, has been budgeted.

5.10 Current expenditure is budgeted to grow by 4.7 percent to \$59.3 billion, primarily as a result of expected increases in personal emoluments and transfers. The anticipated increase in transfers would largely be the result of the payment of the 75 percent increase in old age pensions and social assistance. Only marginal growth has been budgeted for other goods and services. Interest payments are projected at \$7.3 billion or about the same level in 2005.

5.11 Capital expenditure is budgeted to grow to \$42 billion, or 20 percent, with the bulk of the increase being due to transfers to Guysuco for the acceleration of the Skeldon Modernisation Project. Grant financing is expected to increase by 33 percent to \$17.7 billion, of which \$1.7 billion would be due to the Multilateral Debt Relief Initiative. The overall deficit is programmed to be \$25.1 billion (14.7 percent of GDP), a slight decline from \$23.4 billion (14.2 percent of GDP) in 2005. This deficit will be largely financed through net external borrowing of \$22.4 billion.

5.12 Mr Speaker, **the size of the 2006 Budget is \$102.9 billion**, which is 11.5 percent more than the latest estimate for 2005 and 19.1 percent higher than last year's budget.

2. Public Enterprises

5.13 Mr Speaker, the financial operations of the public enterprises are programmed to improve considerably this year, with the recovery in Guysuco being mainly responsible for this anticipated performance. Total receipts are budgeted to increase by 10 percent to \$90.3 billion. Total expenditure should amount to \$83.5 billion, an increase of 5.6 percent. Taxes and other transfers are projected to rise to \$1.2 billion, while capital expenditure is budgeted at \$5 billion or almost \$1.6 billion more than in 2005. The overall surplus is projected to improve by 7.1 percent to \$1.8 billion.

3. Non-Financial Public Sector Operations

5.14 The deficit of the non-financial public sector is programmed to increase slightly to 13.7 percent of GDP, from 13.6 percent of GDP in 2005.

5.15 Mr Speaker, these estimates for the economic and financial sectors are the best going forward, given currently available information and assessments. We will continue to monitor developments closely, including those arising from the latest incidence of flooding, and keep this Honourable House informed on the economic and financial implications of these developments.

Budget Measures

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6.1 Mr Speaker, notwithstanding the increased size of the Budget, there will be no new taxes in 2006. Indeed, we have crafted a Budget that not only is fully financed but has allowed us to institute specific measures that will redound to the benefit of the working people and their dependants, the pensioners and the private sector.

A. Personal Income Tax

6.2 Mr Speaker, I propose to increase the personal income tax allowance from \$240,000 per annum to \$300,000 per annum with effect from income year 2006.

6.3 In addition, I propose to replace the current rates of Personal Income Tax of 20% and 33 1/3% with a single rate of 33 1/3%.

6.4 Mr Speaker, these are significant measures in the context of the difficulties faced by the economy and the economic challenges which lie ahead. More important, though, these measures will have the following beneficial impacts:

- Every tax payer will benefit from higher take home pay. For example a person earning \$300,000 per annum will now save \$12,000 per annum; and
- Approximately 20,000 persons will be removed from the income tax net.

B. Pensioners and Public Assistance Recipients

6.5 Mr Speaker, this Budget provides for an increase of 75 percent in old age pensions and public assistance, effective January 1, 2006. As a result, some 33,000 pensioners will each receive \$3,500 per month while approximately 14,000 public assistance recipients will each get \$2,350 per month. Mr Speaker, although modest, these sums represent a substantial improvement from 1992, when only \$290 per month was

paid and it was subject to a means test. These vulnerable persons also benefit from other programmes administered by various Governmental bodies.

C. Value Added Tax and Excise Tax

6.6 Mr Speaker, last year, the Government had intimated that both the Value Added Tax and the Excise Tax would have been introduced with the effect from July 1, 2006. Since then, the private sector has made strident representation for us to delay the implementation of these taxes, most recently during pre-Budget discussions. Mr Speaker, after constructive deliberations on this matter and in keeping with the spirit within which these discussions were held, the new effective date for the introduction of the Value Added Tax and the Excise Tax is January 1, 2007. It is expected that this concession will give the private sector and other stakeholders sufficient time to put their houses in readiness for this new date, and to assure successful implementation.

Conclusion

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7.1 Mr Speaker, the extensive flooding of last year and this year would have taxed the resolve of the Government and people of this country. Exacerbating this difficult situation would have been the very high international price of oil and the increase in criminal activities. What, however, has been exemplary, are the responses of the Government and the fortitude of our people. We commiserate with them and would like them to know that we will continue to do all that is necessary to attenuate the problems.

7.2 Mr Speaker, in spite of the challenges and the difficult road ahead, we have managed to put together a Budget that projects growth in a tax free and relatively stable macroeconomic environment. It contains something for everyone. At the macro level, it contemplates massive spending on the physical infrastructure such as roads, bridges, sea defence, drainage and irrigation, and the social and human infrastructure, such as health, education, housing and water. More homes will receive electricity; more people will be able to access a wider range of services offered in the social sector; more jobs will be created in an expanding economy. At the micro level, workers will benefit from increased take home pay and pensioners will receive a substantial increase in their pensions. All of these actions are in consonance with our over-arching goals of reducing poverty and improving the welfare of our people.

7.3 For the most part, the general demeanour of our people suggests that while we have a far way to go, we have come a long way down the road. The less are our distractions, the faster that we will be able to achieve these goals. This is why, Mr Speaker, it is very important that as a nation, in this the 40th Anniversary of our Independence, we must demonstrate our maturity by holding trouble-free and transparent Elections later this year. All of Guyana belongs to all of us, and we must resolve to keep it that way. God bless Guyana!

Mr Speaker, I thank you.



APPENDICES

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APPENDIX I

SELECTED SOCIO - ECONOMIC INDICATORS

INDICATORS	2001	2002	2003	2004	2005
1.0 NATIONAL ACCOUNTS AGGREGATES					
1.1 Growth Rate of Real GDP	2.3	1.1	(0.6)	1.6	(3.0)
1.2 GDP at factor cost (US\$M)	602.5	617.8	631.0	652.7	644.6
1.3 GNP at factor cost (US\$M)	550.9	562.7	588.4	621.1	624.3
1.4 Per capita GDP (US\$)	777.5	829.2	840.2	868.6	857.3
1.5 Per capita GNP (US\$)	710.9	755.4	783.5	826.5	830.3
1.6 Gross National Disposable Income (US\$M)	705.9	705.2	763.7	795.2	790.8
1.7 Private Consumption as % of Gross Domestic Expenditure	47.5	45.1	44.8	49.2	53.7
1.8 Public Consumption as % of Gross Domestic Expenditure	19.6	21.1	23.7	21.8	21.1
2.0 EXTERNAL TRADE AND FINANCE (US\$M)					
2.1 BOP Current Account Balance	(128.3)	(106.7)	(60.6)	(70.0)	(167.1)
2.2 Imports of Goods and Non-Factor Services (G&NFS)	(775.4)	(758.9)	(743.8)	(854.5)	(981.2)
2.3 Exports of Goods and Non-Factor Services (G&NFS)	655.6	667.2	669.6	749.9	694.6
2.4 Resource Balance	(119.8)	(91.7)	(74.2)	(104.6)	(286.6)
2.5 Imports of G&NFS/GDP(%)	128.7	122.8	117.9	130.9	152.2
2.7 Exports of G&NFS/GDP(%)	106.8	108.0	106.1	114.9	107.8
2.8 Net International Reserves of Bank of Guyana	187.2	183.7	176.1	136.6	160.5
2.9 External Public Debt Outstanding	1,196.7	1,246.7	1,084.6	1,071.2	1,100.4
3.0 PRICES, WAGES & OUTPUT					
3.1 Rate of Inflation (% changed in Urban CPI)	2.6	7.1	4.9	5.5	8.3
3.2 Public Sector Monthly Minimum Wage in G\$(e.o.p)	20,045	21,047	22,099	23,204	24,828
3.3 % Growth Rate	5.5	5.0	5.0	5.0	7.0
3.4 Electricity Generation (in M.W.H)	504.8	512.7	488.9	514.9	528.4
4.0 POPULATION & VITAL STATISTICS					
4.1 Mid-Year Population ('000)	743.6	750.7	751.0	751.4	751.9
4.2 Population Growth Rate (e.o.p)	0.2	0.2	0.8	0.1	0.1
4.3 Net Migration ('000)	(12.0)	N.A	N.A	N.A	N.A
4.4 Visitor Arrivals ('000)	99.3	104.3	100.9	121.9	116.5
4.5 Crude Birth Rate (per 1,000 persons)	23.6	23.5	25.8	23.1	N.A
4.6 Crude Death Rate (per 1,000 persons)	6.6	7.3	7.3	N.A	N.A
4.7 Crude Marriage Rate (per 1,000 persons)	7.3	N.A	N.A	N.A	N.A
4.8 Infant Mortality Rate (per 1,000 persons)	17.7	22.1	21.6	24.7	N.A
4.9 Under 5 mortality Rate (per 1,000 live births)	N.A	N.A	N.A	N.A	N.A
5.0 HEALTH AND EDUCATION					
5.1 Public Expenditure on:					
5.1.1 Education as % of National Budget	16.5	18.2	14.4	15.5	13.7
5.1.2 Health as % of National Budget	7.0	8.8	8.9	9.5	7.5
5.2 Number of Physicians per Ten Thousand Population	4.4	4.6	4.1	4.2	4.3
5.3 Number of Nurses per Ten Thousand Population	10.5	10.5	14.0	34.0	34.0
5.4 Number of Hospital Beds per Ten Thousand Population	42.4	42.4	43.6	43.6	43.5
5.5 Low birth-weight babies (<2500g.) as a % of live births	10.5	11.5	11.9	11.6	N.A
5.6 Severely malnourished	0.6	0.7	0.6	1.0	N.A
5.7 Moderately malnourished	11.8	9.3	8.8	9.3	N.A
5.8 Overweight	4.9	3.9	4.7	5.2	N.A
6.0 IMMUNIZATION COVERAGE					
6.1 1 year olds Immunized against DPT/ (Pentavalent) (%)	85.0	85.0	91.0	92.0	N.A
6.2 1 year olds Immunized against MMR, Yellow Fever (%)	93.0	93.0	90.0	90.0	N.A
6.3 1 year olds Immunized against polio (%)	92.0	90.0	91.0	91.0	N.A
6.4 1 year olds Immunized against TB, BCG (%)	94.0	95.0	94.0	94.0	N.A
7.0 CRIME					
7.1 Reported Serious Crimes	3,512.0	3,470.0	2,941.0	3,450.0	2,808.0
7.2 of which: Homicides	79.0	142.0	206.0	131.0	125.0

APPENDIX II

GROSS DOMESTIC PRODUCT AT 1988 PRICES BY INDUSTRIAL ORIGIN

SECTOR	2000	2001	2002	ACTUAL 2003	REVISED 2004	BUDGET 2005	REVISED 2005	BUDGET 2006
TOTAL	5,352	5,474	5,536	5,501	5,587	5,711	5,419	5,654
Sugar	846	880	1,024	935	1,006	1,045	761	974
Rice	180	199	177	218	200	226	171	178
Livestock	116	119	125	130	133	140	129	125
Other Agriculture	278	281	285	291	297	312	291	279
Fishing	164	165	159	159	157	166	157	159
Forestry	189	195	180	183	184	191	195	203
Mining & Quarrying	626	652	607	554	518	389	426	360
Manufacturing	309	309	316	309	309	322	315	322
Distribution	425	427	423	412	420	445	456	474
Transport & Communication	480	506	529	555	575	615	629	654
Engineering & Construction	452	461	443	468	487	519	533	557
Rent of Dwellings	92	94	94	97	98	103	103	104
Financial Services	309	293	290	293	296	312	315	322
Other Services	198	204	204	210	213	223	230	235
Government	689	689	682	686	694	703	708	708

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

APPENDIX III

CENTRAL GOVERNMENT FINANCIAL OPERATIONS

	ACTUAL 2004	BUDGET 2005	REVISED 2005	BUDGET 2006
Total Revenue	51,683.4	51,726.8	56,089.5	58,531.1
Revenue	51,664.4	51,726.8	56,070.5	58,531.1
Tax	48,243.9	48,971.4	52,899.1	54,796.7
Income taxes	21,237.4	22,020.4	23,629.7	23,599.3
Consumption taxes	20,216.1	19,858.7	22,132.0	23,313.3
Trade taxes	4,843.6	5,006.6	4,805.4	5,133.3
Other	1,946.8	2,085.7	2,332.0	2,750.8
Non-tax	3,420.5	2,755.4	3,171.4	3,734.4
Private sector	3,371.8	2,608.9	2,899.7	3,252.7
Public enterprise & BOG	48.7	146.5	271.7	481.7
Total expenditure	72,605.8	85,693.6	91,794.7	101,356.3
Current expenditure	50,189.0	53,970.3	56,664.4	59,341.9
Non-interest expenditure	42,462.2	46,571.1	49,390.9	52,082.3
Personal emoluments	17,321.9	18,901.6	18,538.6	20,439.1
Other goods and services	12,987.2	14,919.1	17,089.3	17,106.2
Transfers to the private sector	12,048.1	12,750.4	13,763.0	14,537.0
Transfers to the public sector	105.0	0.0	0.0	0.0
Interest	7,726.9	7,399.2	7,273.5	7,259.6
External	4,777.3	4,497.7	4,339.1	4,430.2
Domestic	2,949.6	2,901.4	2,934.4	2,829.4
Primary balance	9,202.2	5,155.7	6,679.6	6,448.8
Current balance	1,475.4	-2,243.5	-593.9	-810.8
Capital Revenue	19.0	0.0	19.0	0.0
Capital Expenditure	22,416.7	31,723.3	35,130.3	42,014.4
Overall Balance before Grants	-20,922.4	-33,966.8	-35,705.2	-42,825.2
Grants	10,114.5	11,153.4	13,325.3	17,711.2
HIPC relief	5,911.7	5,063.2	5,418.9	6,963.7
Original	676.8	564.3	575.1	525.0
Enhance	4,721.0	3,985.0	4,329.9	4,178.9
CMCF	513.9	513.9	513.9	513.9
MDRI	-	-	-	1,745.9
Other	4,202.8	6,090.1	7,906.4	10,747.5
Projects	2,147.3	2,782.1	4,497.2	6,082.7
Non-projects	2,055.5	3,308.0	3,409.2	4,664.8
Overall Balance after Grants	-10,807.9	-22,813.4	-22,379.8	-25,114.0
Financing	10,807.9	22,813.4	22,379.8	25,114.0
Net External Borrowing	-126.5	19,184.5	15,084.5	22,381.4
Disbursements of Loans	12,806.9	20,001.0	17,560.1	18,288.6
Debt Repayments	5,650.5	5,520.6	4,932.3	4,984.1
Rescheduling	1,402.3	1,789.1	1,827.0	1,767.9
Guysuco - Escrow A/C	-8,685.2	2,915.0	629.8	7,310.0
Net Domestic Borrowing	10,934.4	3,628.9	7,295.3	2,731.0
Net Divestment Proceeds	0.0	0.0	0.0	0.0
Overall Deficit as a % of GDP	-6.9	-14.2	-14.2	-14.7

APPENDIX IV

ALL URBAN CONSUMER PRICE INDEX (Including GEORGETOWN)

GROUP	2005												
	2004	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Dec												
ALL ITEMS	194.4	199.9	197.4	197.9	199.2	199.5	200.8	202.0	208.0	209.1	209.3	209.6	210.4
FOOD (incl. Alcoholic Beverages)	185.7	197.4	191.3	191.8	193.1	194.0	195.8	197.9	199.7	198.1	197.3	198.4	200.1
CLOTHING	75.2	75.2	75.2	75.2	75.2	75.2	75.2	75.2	75.2	75.2	75.2	75.4	75.4
FOOTWEAR	64.5	65.4	65.4	65.4	65.4	65.4	65.4	66.5	66.6	66.2	66.2	66.2	66.2
HOUSING	228.5	228.4	229.1	229.2	231.2	230.4	231.5	231.7	246.1	249.4	251.4	252.1	252.3
FURNITURE	142.5	142.6	143.0	142.0	142.3	143.0	143.3	143.4	143.7	143.5	143.8	143.9	144.2
TRANSPORT & COMMUNICATION	255.7	255.5	255.6	257.7	259.8	260.8	262.3	263.7	278.2	287.7	288.5	285.4	285.3
MEDICAL & PERSONAL CARE	206.5	206.5	206.5	206.5	206.5	206.5	206.5	206.5	206.5	206.5	206.5	206.5	206.5
EDUCATION, RECREATION, CULTURE	214.4	224.5	225.1	225.1	225.1	225.1	225.7	225.9	235.8	235.9	235.8	235.8	235.4
OTHER GOODS AND SERVICES	161.6	162.2	162.5	162.9	163.5	163.5	163.9	164.1	164.3	164.5	164.6	165.1	165.3

GROUP	2005											
	2000	2001	2002	2003	2004	2005	2005	% Change				
	DEC	DEC	DEC	DEC	DEC	NOV	DEC	DEC - DEC	NOV - DEC	NOV - DEC	NOV - DEC	NOV - DEC
ALL ITEMS	163.0	165.4	175.5	184.3	194.4	209.6	210.4	8.3	0.4			
FOOD	163.7	167.6	170.9	175.8	185.7	198.4	200.1	7.8	0.9			
CLOTHING	72.7	73.2	74.6	75.2	75.2	75.4	75.4	0.2	0.0			
FOOTWEAR AND REPAIRS	62.0	62.5	62.5	64.2	64.5	66.2	66.2	2.7	0.0			
HOUSING	179.4	182.2	199.6	213.3	228.5	252.1	252.3	10.4	0.1			
FURNITURE	128.4	128.6	134.8	133.5	142.5	143.9	144.2	1.2	0.2			
TRANSPORT & COMMUNICATION	188.5	186.8	221.3	246.8	255.7	285.4	285.3	11.6	0.0			
MEDICAL & PERSONAL CARE	187.5	186.4	189.4	194.7	206.5	206.5	206.5	0.0	0.0			
EDUC., RECR. AND CULTL. SERVICE	170.2	177.5	190.6	204.7	214.4	235.8	235.4	9.8	0.1			
MISC. GOODS & SERVICES	155.7	155.4	156.0	158.7	161.6	165.1	165.3	2.3	0.1			

APPENDIX V

BALANCE OF PAYMENTS ANALYTIC SUMMARY

ITEM		ACTUAL 2004	BUDGET 2005	REVISED 2005	BUDGET 2006
A	Current Account	(70.0)	(149.0)	(167.1)	(199.8)
1.0	Merchandise (Net)	(57.9)	(153.0)	(236.5)	(254.3)
	1.1 Exports (f.o.b.)	589.0	533.0	548.9	562.7
	1.1.1 Bauxite	44.7	57.0	61.1	95.0
	1.1.2 Sugar	136.5	143.0	118.0	145.0
	1.1.3 Rice	55.1	58.0	46.2	52.0
	1.1.4 Gold	145.1	88.0	112.6	57.7
	1.1.5 Timber	45.0	45.0	49.9	53.0
	1.1.6 Other	151.6	135.0	142.6	145.0
	1.1.7 Re - exports	11.1	7.0	18.5	15.0
	1.2 Imports (c.i.f.)	(646.9)	(686.0)	(785.4)	(817.0)
	1.2.1 Fuel & Lubricants	(169.6)	(170.0)	(220.5)	(236.0)
	1.2.2 Other	(477.3)	(516.0)	(564.9)	(581.0)
2.0	Services (Net)	(86.1)	(46.0)	(83.2)	(85.5)
	2.1 Factor	(39.4)	(20.0)	(33.1)	(30.5)
	2.2 Non Factor (Net)	(46.7)	(26.0)	(50.1)	(55.0)
3.0	Transfers	74.0	50.0	152.6	140.0
	3.1 Official	-	-	-	-
	3.2 Private	74.0	50.0	152.6	140.0
B	Capital Account	38.9	165.1	181.2	198.0
1.0	Capital Transfers	45.9	64.2	52.1	55.0
2.0	Medium and Long Term Capital (Net)	(1.4)	110.9	144.1	164.0
	2.1 Non - Financial Public Sector Capital (Net)	(31.4)	60.9	67.3	89.0
	2.1.1 Disbursements	61.4	97.8	103.1	117.0
	2.1.2 Amortization	(47.3)	(36.9)	(35.8)	(28.0)
	2.1.3 Other	(45.5)	-	-	-
	2.2 Private Sector (Net)	30.0	50.0	76.8	75.0
3.0	Short Term Capital	(5.6)	(10.0)	(15.0)	(21.0)
C	Errors and Omissions	(12.0)	(4.6)	(6.0)	(4.9)
D	OVERALL BALANCE	(43.1)	11.5	8.1	(6.7)
E	Financing	43.1	(11.5)	(8.1)	6.7
1.0	Bank of Guyana net foreign assets	31.5	(30.0)	(23.9)	(10.0)
2.0	Change in Non-Financial Public Sector Arrears	-	-	-	-
3.0	Exceptional Financing	11.6	18.5	15.8	16.7
	3.1 Debt Relief	-	-	-	-
	3.2 Balance of Payments Support	-	-	-	-
	3.3 Debt Forgiveness	11.6	15.9	14.0	14.1
	3.4 Debt Stock Restructuring	-	2.6	1.8	2.6

Figures: US\$m

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

APPENDIX VI

ACTUAL AND PROJECTED EXTERNAL DEBT STOCK

ITEM	Actual End-December 2003 (After E-HIPC)	Actual End-December 2004 (After E-HIPC)	Actual End-December 2005 (After E-HIPC)	Preliminary End-December 2006 (After E-HIPC)
TOTAL EXTERNAL DEBT	1,084.64	1,071.17	1,100.40	888.83
1.0 Multilateral	916.80	974.79	984.34	749.71
IBRD	0.93	0.00	0.00	0.00
IDA	234.22	248.66	230.87	6.82
IADB	405.34	446.60	470.00	511.99
CDB	69.77	87.56	100.27	110.82
CMCF	43.94	35.95	35.95	35.95
IMF	95.36	88.06	98.68	27.63
Others 2/	67.25	67.96	48.56	56.50
2.0 Bilateral	112.57	76.77	96.68	120.21
2.1 Paris Club Creditors:	90.30	54.87	54.80	56.33
USA	3.67	0.00	0.00	0.00
-PL 480	33.04	1.20	1.16	1.11
UK	0.00	0.00	0.00	0.00
Canada	0.00	0.00	0.00	0.00
Germany	0.00	0.00	0.00	0.00
-KFW	0.00	0.00	0.00	0.00
Netherlands	0.00	0.00	0.00	0.00
Denmark	0.00	0.00	0.00	0.00
Norway	0.00	0.00	0.00	0.00
Sweden	0.00	0.00	0.00	0.00
France	0.00	0.00	0.00	0.00
Japan	0.57	0.57	0.57	0.00
T&T	52.62	52.62	52.62	513.5
Russia	0.28	0.28	0.28	0.28
Italy	0.02	0.09	0.08	35.0
Others 3/	0.09	0.10	0.10	0.10
2.2 Non-Paris Club Creditors:	22.27	21.90	41.88	638.7
Venezuela	1.17	0.85	0.62	0.00
Argentina	0.58	0.60	0.69	0.4
Kuwait	2.71	2.81	2.94	3.4
Libya	2.01	2.03	2.05	2.7
Cuba	0.08	0.08	0.09	0.9
Bulgaria	0.08	0.09	0.10	0.1
Others 4/	15.64	15.44	35.40	57.3
3.0 Private Creditors	55.26	19.61	19.38	18.2
3.1 Suppliers 5/	14.28	12.72	12.72	12.2
3.2 Financial Markets/Bonds 6/	40.98	6.89	6.66	6.0

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 CDC Loans.

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

5/ Includes ITT, Caterpillar Americas, Nissho Iwai/Komatsu, Boskalis, GPL (Banco de Credito, Panama) and EPDS debts.

6/ Includes Booker plc, Bonds, Bank of Nova Scotia, Lloyds Bank, GPL (NBIC/RBTT Debenture) and Barclays Bank debts.