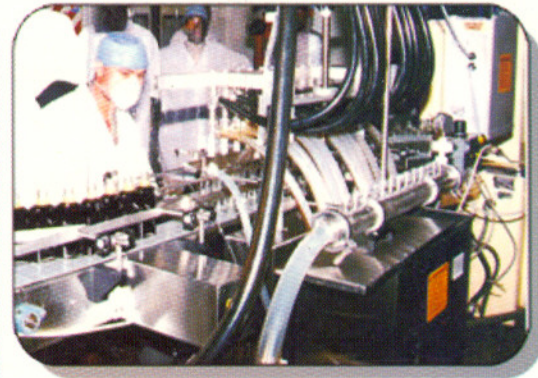


# BUDGET

## 2007

Building a  
Modern and  
Prosperous  
**GUYANA**



**February 2, 2007**

**GUYANA**

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**SESSIONAL PAPER NO. 1 OF 2007**

**NINTH PARLIAMENT OF GUYANA**

**UNDER THE**

**CONSTITUTION OF GUYANA**

**FIRST SESSION 2006 – 2007**

**BUDGET SPEECH**

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**Honourable Dr. Ashni Kumar Singh, M.P.**

**Ministry of Finance**

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**February 2, 2007**

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## Introduction

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1.1 Madam Speaker, I rise to move the motion for the approval of the Estimates of the Public Sector and the Budget for the Financial Year 2007. In so doing, I wish to indicate that in accordance with Article 171, Paragraph 2 of the Constitution, the Cabinet has recommended that the National Assembly proceed upon this motion.

1.2 Madam Speaker, coming as it does at the beginning of a new term of office and, in this case, the fourth consecutive term of the PPP/Civic Government since its 1992 assumption of office, this Budget concretises our vision of a modern and equitable society for all Guyanese, as elaborated in a number of documents such as the Poverty Reduction Strategy Paper and individual sector strategy papers. Just recently, His Excellency the President reiterated this vision in his Inaugural Address to this Ninth Parliament, which address was extensively debated and endorsed in this Honourable House.

1.3 As we have emphasised, our vision is for a better Guyana – a Guyana where our people live in perpetual harmony, enjoying greater cohesion and prosperity; a society in which our quality of life compares favourably with our immediate and distant neighbours; and a society that is recognised for the care and attention it places on children, women, youths, the elderly and the less fortunate. We must, therefore, strive for economic success in order to establish a better society for all. We have to build safeguards and act to sustain economic growth and stability long into the future, and we must continue to work to find ways of sharing more evenly the benefits of our economic success.

1.4 This Budget reasserts the fundamental objectives of our economic system, that is, the formulation and implementation of appropriate and relevant policies and plans aimed at improving the lives and realising the aspirations of all Guyanese. To achieve this, it builds on the foundation already laid with respect to maintaining macroeconomic stability; implementing an enabling trade and investment regime; building capacity to

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enable our economy to compete effectively in the global environment and manage short term external shocks; enhancing savings and investment to raise them to a sustainable level; continuously reforming the financial system; unlocking the potential and entrepreneurial talent of our people to achieve economic development; while protecting and supporting the most vulnerable members of our society; all aimed at achieving pro-poor growth and building a modern and prosperous country. Our agenda for the next five years, and our policies and plans for 2007, reflect these objectives, and we will work tirelessly to achieve them.

1.5 Madam Speaker, we in Guyana have much for which we should be thankful. Although the floods of early 2006 threatened to derail many of our programmes and to undermine our targets, we were nevertheless able to manage the economy effectively and return substantial real growth. The strong economic recovery reflects the appropriateness of our policies, the underlying resilience of our economy and, most of all, the tenacity and adaptability of our people.

1.6 Madam Speaker, over the years, we have been steadfastly laying the foundation for sustained economic growth and prosperity. Along the way, we have had to cope with both domestic and external challenges. But we have remained undaunted and unbowed, and have seen an impressive improvement in the standard of living of all Guyanese. This is not an occurrence by chance, but is the product of purposeful consistency. It has involved massive investment in infrastructure development where we had considerable ground to make up. It has involved a commitment to re-orient public expenditure to place greater emphasis on the social sectors, especially education, health, housing, pure water supply and sanitation. It has involved prudent fiscal management and the creation of an economic environment that would attract investment. Most of all, it has involved the commitment and hard work of the Guyanese people themselves.

1.7 More than any other time in our country's history, a large percentage of our people own their homes, and have access to electricity, piped water, telephones and other amenities. More of our citizens who reside in near and far flung areas own computers and are exposed to the wide world of the internet. Opportunities have been created for many

of our people to be self employed, and to own or manage small businesses and micro-enterprises. I therefore have pleasure in tabling a budget that builds upon and consolidates the gains of the past fifteen years, and continues the reform and modernisation of the national economy. As with previous budgets, it makes ample provision for: the facilitation of sustained economic growth; on-going social sector reform and improvement; infrastructure renewal, expansion and maintenance; and improved equality and opportunity for all Guyanese. It also commits significant resources to areas such as sports, culture and the arts.

1.8 This Budget advances the policies needed for an era of sustained growth, wealth and employment creation, by securing the transition to a globally competitive economy. It is rooted in the belief that there is no limit to what our people can continue to achieve within the context of a facilitative environment created by the Government. Against this background, the central theme of the 2007 Budget is *Building a Modern and Prosperous Guyana*. In line with this theme, the Budget highlights on-going work in the various sectors. These investments are targeted at improving the quality of life of our citizens and further enhancing the physical and institutional infrastructure required to promote growth and improve the quality of life of our citizens.

## Review of the International Economy

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2.1 Madam Speaker, according to the latest edition of the World Economic Outlook, global growth in 2006 was estimated at 5.1 percent, up from the forecast of 3.2 percent. The largest economy in the world, the United States, demonstrated its internal resilience when, despite a number of unfavourable factors, it once again lead the global expansion with a growth rate of 3.4 percent. The situation in the United States does, however, mask underlying concerns and their likely impact on the global economy. These include its huge current account deficit and the sustainability of current levels of consumption in the wake of increasing debt. Euro area economies showed signs of recovery with a growth rate of 2.4 percent, while the Japanese economy, with a rate of 2.7 percent, has gradually regained its vitality after emerging from a prolonged downturn. A few large developing economies, especially China (10 percent) and India (8.3 percent), are consolidating their growth in the performance of the world economy.

2.2 We are cautiously optimistic that the external environment would remain positive this year. Global growth is expected to remain strong at 4.9 percent, notwithstanding lingering concerns about high inflation, tighter conditions in financial markets, and other structural impediments.

2.3 Madam Speaker, Guyana maintains its position that a fair multilateral trading system that takes account of the special circumstances of economies like ours can boost world trade and redound to the benefit of all countries. It is in this context that we are in consonance with the call of others for a restart of the stalled negotiations of the World Trade Organisation (WTO). We also urge the speedy conclusion of an Economic Partnership Agreement (EPA) with the European Union, one that is supportive of our development agenda.

2.4 Madam Speaker, at the regional level, we look forward to the acceleration of work this year that would lead to the implementation of the CARICOM Single Economy in 2008. The fruition of this event will complement the Single Market aspect, which came into force at the beginning of 2006, and allows the free movement of goods, services,

capital and labour across member states. It will also realise a dream of creating a unified economic space within the region.

2.5 Madam Speaker, Guyana's national profile in the global arena will be substantially elevated when we play host to three important international events this year. The first is the Summit of the Rio Group of Countries, which takes place in early March. The second is the historic Cricket World Cup, which will be held during March and April. In addition, in September, Guyana will be hosting the Meeting of Commonwealth Ministers of Finance. The successful staging of these events, all of which are a first for Guyana, will have a positive impact on our economy. All Guyanese should unite to ensure that the warmth and hospitality for which we are known are extended to the delegates, participants and other visitors, and to ensure that the positive consequences of these events for our economy are realised.

## Review of the Domestic Economy

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### **A. Real Gross Domestic Product**

3.1 Madam Speaker, I am pleased to announce real growth of 4.7 percent last year, a most commendable performance. Not only does this reflect underlying buoyancy, in light of the various challenges encountered, but it also reflects resilience and maturing of the economy. I will now review performance in each sector.

### **B. Sector Performance**

3.2 Madam Speaker, sugar production grew by 5.5 percent to 259,588 tonnes. The great deluge of 2005 was compounded by further rainfall and flooding in the first half of 2006. This had a severe impact on land preparation for the first crop, and on the growth and sucrose content of the sugar cane plant, which factors undermined the target of 315,000 tonnes.

3.3 In the rice industry, in spite of losses of approximately 12,000 acres in the first crop due to flooding, rice output surpassed the outturn for 2005 by 12.4 percent to reach 307,041 tonnes. This performance was partly the result of improved yield in the second crop.

3.4 Several of the other sub sectors of the agriculture sector recorded strong performances in 2006. In particular, the forestry sub sector expanded by 11 percent, by far the highest growth rate in recent history. This growth was primarily driven by increased investment and global demand for forest products. Other agriculture rebounded by 7 percent, and this allowed for increased exports and export earnings from non traditional crops.

3.5 Madam Speaker, the mining and quarrying sector fell by 22.4 percent. The bauxite industry suffered several setbacks, including low demand for RASC, which occasioned the closure of Omai Bauxite Mining Inc. for two months in the second quarter of 2006. This contributed to the 9.2 percent decline in bauxite production to 1,538,587

tonnes. Local gold miners increased their declaration by 23.1 percent, but overall gold declaration fell by 25.3 percent to 200,000 ounces as a result of the closure of Omai Gold Mines Ltd. Diamond declaration amounted to 330,000 carats.

3.6 The manufacturing sector continued to show increased growth in 2006. Buoyed by a 36.5 percent expansion in private sector credit, manufacturing increased by 4 percent. This reflects the growing optimism and confidence in the business community and the conduciveness of the policy environment. Of particular note is the fact that investors have been engaging increasingly in value added activities. Also, the availability of increased financial and technical assistance has encouraged the growth of micro enterprises and small businesses in the sector.

3.7 The engineering and construction sector grew by an estimated 12 percent, reflecting preparations for Cricket World Cup, especially the construction of hotels, as well as the acceleration of the housing drive. In addition, the extensive infrastructural works executed under the Public Sector Investment Programme also fuelled growth in this sector.

3.8 The services sector continued to exhibit strong growth. The transport and communications sub sector returned a very robust performance, expanding by 10 percent. Growth in this sub-sector was driven by the upsurge in demand for cellular telephone services, as well as internet services. Distribution increased by 10 percent, reflecting increased domestic production and higher imports of intermediate and consumer goods. Financial services rose by 8 percent, reflecting the strong growth in private sector credit. All the other sub sectors experienced positive growth.

## **C. Balance of Payments**

3.9 Madam Speaker, the overall position of the balance of payments continued to improve in 2006, with the surplus increasing to US\$44.9 million, from US\$8.1 million in 2005. This performance was attributed to substantial inflows of foreign direct investment and disbursement of loans for public sector investment.

3.10 All of the major commodities contributed to the robust activity of the export sector. Sugar export earnings amounted to US\$137 million, 16.1 percent more than in 2005. Receipts from rice exports grew by 18.2 percent to US\$54.6 million, largely on account of higher volumes to the major markets. Earnings from the export of bauxite rose by US\$4.5 million to US\$67.3 million, on account of higher prices for Metallurgical Grade bauxite. In spite of the closure of Omai Gold Mines Ltd., in the last quarter of 2005, gold export receipts reached US\$114.4 million, an increase of 2.2 percent that was due to the prevailing high international price for the metal. Timber earnings rose by an impressive 42 percent to US\$70.3 million, reflecting both price and volume increase.

3.11 Merchandise imports of US\$885 million were 12.9 percent higher than the previous year. This increase is a reflection of the continued high price for fuel as well as the growth in demand for intermediate and capital goods, in response to the heightened economic activities. Net payments for services increased by almost US\$22 million to US\$113.8 million, mainly reflecting the rising cost of freight and insurance. Private transfers rose sharply by 29.2 percent to US\$216 million, largely as a result of increased remittances and improved data gathering on in-kind transfers. These developments were responsible for the current account deficit of US\$181.4 million, a considerable improvement over the projected deficit of US\$199.8 million. However, the significantly higher net inflows on the capital account, from US\$180.6 million in 2005 to US\$244.1 million in 2006, ensured a healthy surplus of US\$44.9 million on the overall balance of payments. This improved position allowed the Bank of Guyana to accumulate reserves, which rose to US\$278 million.

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

3.12 Madam Speaker, monetary policy was geared towards management of excess liquidity to promote the expansion of private sector credit within an environment of low inflation and a stable exchange rate. Reflecting the buoyancy and confidence in the economy, net domestic credit rose by 7.5 percent to \$42.9 billion. Largely driven by the upsurge in demand in the mining, manufacturing and mortgage financing sectors, credit to the private sector grew by 17.9 percent to \$61.8 billion. Credit to the mining,

manufacturing and real estate sectors expanded by 176.1 percent, 36.5 percent and 34.6 percent respectively. Other areas which showed growth were the personal sector (21.5 percent); and distribution (7.7 percent). The net deposits of the public sector increased to \$10.8 billion, or 242 percent.

#### **E. Prices and Income**

##### **a. Inflation Rate**

3.13 Madam Speaker, the inflation rate was **4.2** percent in 2006, about half of what was recorded in 2005 and significantly better than the target of 6.3 percent. In general, higher oil prices, the significant impact of the floods in the early part of the year, and periodic shortages of key intermediate goods such as cement contributed to the inflation rate last year. However, the pass through of the higher oil prices was contained by Government's proactive policy responses such as by adjusting the tariffs on gasoline and diesel.

##### **b. Interest Rate**

3.14 Madam Speaker, the 91-day Treasury bill rate, the benchmark for the interest rate structure in Guyana, increased to 4.16 percent, from 3.74 percent. The small savings rate remained unchanged while the weighted average lending rate declined to 12.73 percent. As a result, the spread between the two rates was reduced to 9.35 percent and this helped to spur the growth in private sector credit.

##### **c. Exchange Rate**

3.15 Madam Speaker, the foreign exchange market was very active in 2006. Total foreign currency transactions in the financial system amounted to US\$3.2 billion, US\$300 million more than in 2005. While there were periods during the year when demand exceeded supply, the liberalised foreign exchange market adjusted well. The mid rate of exchange of the Guyana dollar to the US dollar depreciated slightly, by 1.13 percent, to \$203.67.

d. Developments in Wages

3.16 Madam Speaker, the Government completed a very comprehensive agreement with the teachers. This landmark, five-year agreement will see teachers benefiting each year from an across-the-board increase in their wages and salaries of 5 percent and an additional 1 percent increase based on individual performance. Other aspects of the agreement include incentives for teachers who improve their qualifications, annual clothing allowance, duty free concessions and a revolving housing fund.

3.17 Other categories of workers also benefited from salary increases in 2006. Workers in the disciplined forces were awarded a 6 percent across-the-board increase and a one-off, tax-free bonus equivalent to one month's basic salary. Public servants, pensioners and recipients of public assistance were granted a 5 percent increase. Additionally, to help cushion the effects of the temporary closure of the Omai Bauxite Mining Inc., between July and September, workers were given a monthly stipend of \$25,000, conditional on them attending computer classes for one day per week.

**F. Fiscal Accounts**

1. Central Government

3.18 Madam Speaker, we continued to exercise prudence and discipline in the conduct of our fiscal affairs. As a result, we were able to achieve our targets in spite of increased spending for the holding of the General and Regional Elections and the flooding that occurred in the early part of last year.

3.19 Current revenue grew by 11.1 percent to \$62.4 billion, with the Guyana Revenue Authority (GRA) collecting 93.7 percent of that amount. Customs and trade taxes grew by 8.7 percent to \$28 billion, while internal revenue rose by 11.8 percent to \$30.4 billion. Revenue from sources other than GRA was \$3.9 billion, an increase of 21.9 percent that partly reflects increased transfers of profit from the Bank of Guyana.

3.20 Current expenditure (net of reimbursable rice levy) increased by 9.7 percent to \$62.2 billion. Personal emoluments grew by 8.3 percent to \$20.1 billion. Flood- and

elections-related expenditure was mainly responsible for the 14 percent growth in other goods and services. Transfers to the private sector increased by 12.9 percent, principally reflecting increased pension payments. Interest payments declined by \$198 million to \$7.1 billion. Capital expenditure rose by 19 percent to \$41.8 billion, reflecting the acceleration in the execution rate of a number of projects in the public sector investment programme.

3.21 The current position of the Central Government improved substantially from a deficit of \$512.1 million in 2005 to a surplus of \$172 million in 2006. This surplus together with a 46.3 percent increase in grants to \$17.5 billion helped to limit the overall deficit to \$24.1 billion. This deficit was financed largely from net external borrowing of \$20.8 billion.

## **2. Public Enterprises**

3.22 Madam Speaker, the overall position of the public enterprises improved impressively. Receipts grew by 2.8 percent to \$84.7 billion, though they were short of the target of \$90.3 billion. This shortfall was reflected in the lower receipts of Guysuco, whose output was affected by the floods. Total non-interest expenditure remained relatively flat at \$78 billion, as the enterprises adjusted to the lower revenue position. Capital expenditure was restricted to \$2.6 billion, from \$3.4 billion the previous year. After transferring taxes and dividends of \$1.4 billion to the Central Government, the public enterprises returned an overall surplus of \$3.7 billion, significantly better than the \$1.1 billion in 2005.

## **3. Non-Financial Public Sector**

3.23 The consolidated operations of the Central Government and the public enterprises reflected a reduction in the deficit from \$22.6 billion in 2005 to \$20.4 billion last year.

## **G. Debt Management**

3.24 Madam Speaker, the Government continued to pursue initiatives to bring the external debt stock and debt service to a sustainable level. At the end of December 2006,

these two debt indicators stood at US\$920 million (US\$1.1 billion in 2005) and US\$22.6 million (US\$24.5 million in 2005) respectively. The Government engaged in a vigorous and successful lobby to extend the Multilateral Debt Relief Initiative (MDRI) to the low income poor countries of the Inter-American Development Bank (IDB). We are pleased that a resolution was approved in December 2006 by the Governors of the IDB on this debt relief, and we look to timely implementation of their decision.

3.25 The Government completed the Paris Club debt relief process when it concluded an agreement with Japan, which provided for 100 percent write-off of principal and accrued interest, amounting to US\$591,327. In terms of non Paris Club bilateral creditors, a debt cancellation agreement was signed with Cuba, paving the way for the write-off of US\$1,678,266. Negotiations are continuing with members of the CARICOM Multilateral Clearing Facility (CMCF) for debt relief of US\$29.2 million. In terms of institutional strengthening activities, the Government developed the National Capacity Building Plan in Aid and Debt Management. The plan sets out a range of procedural and institutional recommendations to improve the functioning of aid and debt management in Guyana.

## **H. Public Sector Investment Programme**

3.26 Madam Speaker, last year, approximately \$31.8 billion was expended on the Public Sector Investment Programme (PSIP). I now will highlight briefly some of the major activities undertaken or accomplished in the various sectors.

### **1. Economic Infrastructure**

#### **a. Roads**

3.27 Key accomplishments in the area of road transport were as follows:

- Commenced work on Lot 1 of the *New Amsterdam/Moleson Creek Road Project*, from the New Amsterdam Ferry Stelling to No. 34 Village, Corentyne; over \$1.2 billion was expended;
- Completed the Ithaca Road Extension and the Drill Bypass Road at a total cost of \$294 million;

- Completed final works on the *Four-lane highway* stretching from the Demerara Harbour Bridge to Mandela Avenue, the construction of an additional lane from the Harbour Bridge to West Demerara Hospital, and the resurfacing of the approach road to the Demerara Harbour Bridge at a cost of \$414 million; and
- Rehabilitated and/or maintained several urban and community roads at a cost of \$1.9 billion.
- Completed the designs for the approach road to the Berbice River Bridge and tendered for supervision and construction services

#### b. Bridges

3.28 Madam Speaker, approximately \$80 million was spent on the rehabilitation of the Demerara Harbour Bridge while another \$100 million was used to undertake bridges construction and minor bridge works in several communities.

#### c. Air Transport

3.29 In the air transport sector, over \$175 million was spent to upgrade the Cheddi Jagan International Airport (CJIA) in preparation for the Cricket World Cup 2007 (CWC). Activities included the erection of a fence around the executive car park, lighting of the entire terminal building and procurement of a new baggage conveyor system.

#### d. Maritime Infrastructure

3.30 In an effort to continue improving the maritime infrastructure, \$505 million was expended on the rehabilitation of boats—M.V. Kimbia and M.V. Makouria—and stellings at Wakenaam, Rosignol and New Amsterdam. Navigational aids were procured and installed.

#### e. Sea Defence

3.31 Madam Speaker, the country's susceptible and fragile sea and river defence and drainage and irrigation systems were severely tested in 2006. As a result, the Government expended some \$943 million on emergency works in a number of areas. Another \$1.4

billion was spent to construct and rehabilitate sea defence structures in Capoey/Columbia, Tuschen, Meten-Meer-Zorg/De Kinderen, and Hague.

f. Drainage & Irrigation

3.32 In 2006, nearly \$1.5 billion was spent by the National Drainage and Irrigation Board. Some of the major activities conducted were: in Region 2 – construction of irrigation checks at Lima and Sparta and tail wall at Aurora; reactivating and constructing relief structures at La Union and Good Hope; and constructing drainage structures at Charity. In Region 3, the works included: constructing culverts at northern and western Hogg Island, rehabilitating structures and channels in Northern Leguan, repairing and constructing timber revetments at Georgia and La Retraite and excavating and cleaning of channels in Canals Polder. The Region 4 programme included: cleaning and excavation of channels in Mocha; construction and rehabilitation of sluices in Ann's Grove, Triumph, and Kofi; desilting outfall channels in Hope, Belfield, Golden Grove and Nabaclis; and construction of revetment and embankment works to the East Demerara Water Conservancy. Additionally, \$158 million was spent on the purchase, installation and operation of pumps for flood control in Region 4. The major activities in Region 5 included: cleaning of drains, the construction of drainage culverts, revetment and embankment works at Perth, Mortice, and Strath/Campbell in Mahaicony; and rehabilitation of pumps at Trafalgar. Works executed in the other regions included rehabilitation and excavation of canals in Bushlot, Whim, Black Bush Polder, No. 48 and No. 51 Villages; and maintenance of channels in Region 6; desilting of drains at Rockstone, enlargement of culverts at Market Road and Republic Avenue, Linden; excavation of drainage and irrigation canals at West Watooka and Ice Water Creek; and extension of discharge pipes at Amelia's Ward in Region 10.

3.33 The Government launched the Community Drainage and Irrigation Enhancement Programme and over \$765 million was spent in 7 of the 10 regions to improve their aesthetics while, at the same time, providing employment to nearly 3,000 persons in poor and depressed communities.

3.34 Almost \$112 million was expended, under the Agriculture Support Services Programme, on D&I activities in Regions 3, 4 and 5. Also, major initiatives were undertaken in the MMA-ADA Scheme. These included acquisition of equipment, rehabilitation and reconstruction of primary and secondary D&I infrastructure.

g. Hydrometeorology

3.35 The Hydrometeorological Radar Project, under which Guyana will acquire a modern radar system commenced last year. The contract for the construction of the tower was signed in November 2006.

h. Power Supply and Distribution

3.36 Madam Speaker, the Government spent in excess of \$1.2 billion to boost power supply and distribution. Of that amount, \$518 million was utilised to complete Phase I of the Unserved Areas Electrification Programme (UAEP). Areas that benefited last year were Westbury, Lusignan Pasture, Lesbeholden, Mibicuri, Johanna, and Yakusari. Over 12,000 household service connections were completed under the first phase of the UAEP. Another 1,500 households were connected under Government's SIMAP electrification programme while 8,000 households received service connection under the programme funded directly by the Central Government.

2. Social Sector

a. Education

3.37 Madam Speaker, capital spending in the education sector exceeded \$3.1 billion. We continued to implement the Basic Education Access Management Support Programme (BEAMS), on which over \$1 billion was expended to expand school infrastructure and improve school performance, organisational and human resource capacity. Infrastructural achievements included the construction of the Aurora Secondary School; the complete rehabilitation of Bladen Hall, Charlestown and North Ruimveldt Secondary Schools; substantial rehabilitation and extension of Lodge Secondary School; and the extension of the Tutorial Secondary School. In addition, the contract for the

construction of the Diamond Secondary School was signed. The computerised Educational Management Information System was developed and an information technology governance framework was established.

3.38 Another \$800 million was expended in the execution of the Education for All - Fast Track Initiative, with the focus being on institutional strengthening of the hinterland schools; improving school facilities; and the provision of textbooks and child friendly classrooms. Under the Guyana Education Access Project, \$100 million was used to continue works on the Wisburg Secondary School in Linden. Other aspects of the Ministry's capital programme, on which another \$435 million was expended, included the rehabilitation of a number of nursery, primary and secondary schools throughout the country; procurement of furniture and equipment; and activities in furtherance of the Technical/Vocational programme in schools.

#### b. Health

3.39 Madam Speaker, in the health sector, the sum of \$362 million was expended on HIV/AIDS prevention and control project to continue institutional strengthening and capacity building activities. Almost \$245 million was spent, under the Basic Nutrition Programme, to reduce malnutrition among women and young children in poor communities. Under the Health Sector Programme, \$550 million was expended to improve the effectiveness, quality and equity in access to health services in the country. Under the organisational and institutional capacity improvement component of the programme, a contract was awarded to provide technical support in the areas of institutional strengthening, human resource development, health management information systems, and the strengthening of the pharmaceutical system. Under the health services delivery component, a contract was signed for the construction of the clinical block of the Linden Hospital Complex. This project, which is being constructed at a cost of \$1.2 billion, commenced in the latter part of 2006.

3.40 An amount of \$567 million was spent on the construction of comprehensive diagnostic centres at Suddie, Leonora, Mahaicony and Diamond as part of the

Guyana/Cuba Healthcare Technical Cooperation Project. The main objective of these diagnostic centres is to decentralise and upgrade the level of healthcare offered throughout the country. Construction also commenced on the Ophthalmology Centre at Port Mourant, the first of its kind in Guyana. On completion, the centre will provide services for the treatment of cataract, retina, glaucoma and refractive surgery. The Government initiated a project to Increase Access to Primary Health Care for Amerindian Communities in Regions 1, 7, 8 and 9. Its components include workshops to review and update referral systems and referral tools for regional health systems; and basic training in information technology, and malaria and microscopy.

c. Housing

3.41 Over \$1.1 billion was spent in the housing sector. Specifically, under the Low Income Settlement Programme, we expended \$795 million on housing infrastructure and services for over 9,000 house lots in areas such as Zeelugt North and Blocks A, B, & C Sophia. Similar work was undertaken on 4,700 house lots, under the Low Income Housing Project, in areas such as Westminster, Belle West, Plantation Glasgow, Cumming's Lodge and Sophia. Under the programme administered by the Central Housing and Planning Authority, nearly \$251 million was spent on providing infrastructure for 10,000 house lots in areas including Vigilance South, Amelia's Ward, Vryheid's Lust and Block II Enterprise.

d. Water and Sanitation

3.42 Madam Speaker, the Government expended in excess of \$1.9 billion to improve access to and delivery of potable water. Under the Georgetown Water Supply and Sewerage Rehabilitation Programme, we spent \$535 million on the construction of the Agricola Trunk Main, water distribution systems, installation of water meters in three zones in Georgetown, and refurbishment of the Shelter Belt treatment plant. Also, a new billing system was installed at Guyana Water Inc. The Corriverton Water Supply Improvement Project commenced last year with site preparation, site access, land acquisition and a leakage reduction strategy. The Hinterland and Coastal Water Programmes continued with \$231 million being expended on transmission and

distribution systems in Wananina-Kokerite, Mahdia, Lethem, La Grange and Meten-Meer-Zorg. Refurbishment works were executed at West Watooka, pumps were procured and distribution lines installed.

3.43 With respect to sanitation, over \$113 million was spent to improve land filling of solid waste at the Mandela Avenue facility. Financing was secured for the Georgetown Solid Waste Management Programme, the main component of which is the construction of a new Solid Waste Facility at Haags Bosch.

e. Community Development and Services

3.44 Madam Speaker, nearly \$1 billion was expended, under the Urban Development Programme, for infrastructure development, institutional strengthening and updating property tax laws of the municipalities. Specifically, markets in Corriverton, Bush Lot, New Amsterdam and Wismar, and the Town Halls in New Amsterdam and Linden were rehabilitated; and roads and drains in Georgetown, New Amsterdam, Linden, and Anna Regina were repaired. The Central Government assisted the Mayor and City Council to repair roads in Albouystown, West La Penitence, Castello Housing Scheme, Tucville, South Ruimveldt Gardens, Charlestown, Agricola and Meadow Bank. The municipalities also benefited from institutional strengthening activities that focused on improving municipal governance, especially financial management administration; preparation and review of business plans and budgeting processes; review of operational structures and financial regulations. Training of personnel was conducted and equipment procured and distributed to the municipalities.

3.45 Under the Community Enhancement Services Project, more than \$1 billion was disbursed for activities such as rehabilitation and construction of buildings, roads, stellings, wharves and markets; and institutional strengthening of rural communities – Bartica, Charity, Parika and Supenaam. Also, works were executed under the Georgetown City Enhancement Project; in particular a sum of \$222 million was spent on rehabilitating road shoulders, raising the level of and upgrading the avenues, clearing

drains and canals, collection and disposal of garbage, and removal of impediments from roadways.

### 3. Poverty Reduction

3.46 Madam Speaker, we continued to implement a range of programmes in support of our efforts to bring relief to vulnerable groups and communities. In this respect, we spent \$641 million, under the Poor Rural Community Support Services Project, on a number of drainage and irrigation projects. This had a beneficial impact on more than 500 households and 4,500 acres of land. Other infrastructural projects were completed including the construction of an all-weather access road in Dartmouth and a day care centre in Suddie/Maria's Lodge. The project also facilitated the disbursement of 5,312 loans in Regions 2 and 3, and the transfer of \$385 million to the Institute of Private Enterprise Development (IPED) for micro-enterprises and agricultural activities.

3.47 The Linden Economic Advancement Programme (LEAP) continued apace, with more than \$167 million being expended on infrastructural rehabilitation works, including the rehabilitation of the West Watooka and Millie's Hideout Roads, Mackenzie Car Park, and sluices; tourism infrastructure in Rockstone; and water supply in Moblissa. Under the Technical/Vocational Management Training component of the programme, 262 persons were trained in fabric and garment design, book keeping and accounting, poultry rearing, computer applications, packaging and labelling, and risk credit management. Under the Basic Needs Trust Fund, another \$751.4 million was used for a range of interventions in support of poverty reduction.

## I. Reform and Modernisation of the Financial and Public Sectors

### 1. Financial Sector Developments

3.48 Madam Speaker, the financial system remained sound, as a result of the close scrutiny and enhanced supervision of the Bank of Guyana. The aggregate asset base of

the commercial banks increased to \$180 billion, from \$163 billion in 2005, while the Capital Adequacy Ratio improved to 15 percent. There was also evidence of financial deepening in the sector, with the expansion of bank branches over a wider geographic area, the increase in automatic telebanking facilities, the introduction of international credit and debit cards, and the establishment of automated banking machine international connectivity. A leading commercial bank was established a branch in Lethem, in Region 9, a testimony of the growing importance of that area and a welcome addition after the prolonged withdrawal of financial services. All of these activities contributed to the growth and stability of the financial system.

3.49 The Bank of Guyana reviewed the recommendations emanating from the Financial Sector Assessment Programme (FSAP) and has already begun implementing several of them. Several initiatives are being taken to address enhancement of the supervisory framework, among them is the development of additional "Supervision Guidelines" particularly on risk management. Several key personnel of the Bank were exposed to modern methods and techniques, and the application of a structured risk-based approach to supervision and regulation. Work is in progress to modernise the reporting system of the licensed financial institutions.

## 2. Public Sector

3.50 Madam Speaker, in 2006, further action was taken to reform and modernise public sector operations. In this respect, approximately \$171 million was disbursed under the Public Management Modernisation Programme to strengthen the Public Service Ministry, and statutory and semi-autonomous bodies. Training courses were mounted for personnel involved in investment activities, with the focus being on improving project management skills.

3.51 Under the Fiscal and Financial Management Programme (FFMP), a sum of \$406 million was spent on the purchase of equipment for the implementation of the Value Added Tax (VAT), implementation of a modern Information Technology System at the

Guyana Revenue Authority (GRA), organisation and management review of GRA, implementation of Tax Identification Number (TIN), and training of staff of GRA. Additional modules were added to the Central Government's Integrated Financial Management and Accounting System (IFMAS) to increase its functionality while computers were purchased to facilitate the networking of all government ministries to the IFMAS. Other activities that were conducted under the FFMP included a review of the organisation and management of the Accountant General's Department and the updating of the Standing Orders of the National Assembly in line with international best practices.

3.52 Progress was made on the Social Statistics and Policy Analysis Project, where \$127 million was spent to purchase equipment and network the statistical units of social sector line ministries, initiate the establishment of regional statistical units, train statisticians, and engage in preliminary work to conduct household surveys. Additionally, a review of the sampling methodology used on surveys in the past was done with the aim of constructing a master sample frame to be used for upcoming surveys. Work also commenced in 2006 on the design and preparation of tender documents for a new building to house the Bureau of Statistics.