

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 2005. 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, we are meeting at a time when the country has faced its worst natural disaster. The unprecedented level of rainfall occurring between December 24th last year and the end of January this year was close to 60 inches, and left many coastal areas inundated with water. In particular, the East Coast of Demerara, sections of North and South Georgetown and low-lying villages on the West Bank and West Coast of Demerara experienced massive flooding, which resulted in the Presidential declaration of disaster areas in Regions 3, 4 and 5.

1.3 Mr. Speaker, it was evident that our drainage system was not designed to cope with such huge volumes of water, and that our disaster preparedness was not capable of a timely response to a deluge of such magnitude. Therefore, armed with the results of an acute assessment of the extent and impact of the flooding, the Government moved with alacrity to establish a structured, national approach to managing the flood disaster. The President convened a meeting at State House at which the Leader of the Opposition and representatives of several non-governmental organisations were present. Five task forces, which were coordinated by Cabinet Ministers, were immediately created in the areas of infrastructure, shelter management, food security, health care and potable water supply. The Leader of the Opposition nominated members to the task forces and received written daily reports that were prepared by the Joint Operating Centre. This Centre was set up to coordinate the various activities and was manned by the Disciplined Forces.

1.4 Within a short period, hot meals, bulk dry rations and potable water were being delivered to the affected communities. This was closely associated with the provision of medical services and health advisories. The persistent rainfall and flooding led to some

evacuation in affected communities and the creation of a large number of shelters. Additional pumps were mobilised as a round-the-clock battle began to drain the water off the land as quickly as possible. This rapid implementation of, and hands-on approach to, the management of the disaster provided much needed relief to the residents in the affected communities.

1.5 To meet the cost of the immediate interventions, the Government allocated \$220 million for the procurement of goods and services. We waived the duty and consumption tax on food supplies that were imported for the flood victims. Also, we waived duties and taxes on specified food items that were imported for commercial use. Humanitarian contributions in cash and kind were received from neighbouring countries, international organisations, the Guyanese diaspora, local religious, charitable and service organisations, and businesses. At this time, Mr. Speaker, I would like to thank all those who contributed to easing the plight of those who were affected by the floods. I would especially like to pay tribute to the remarkable resilience and spirit of our people who, at a time of great adversity, displayed indomitable fortitude and generous charity under the most difficult conditions. I am proud that we as a people could so easily set aside whatever differences we may have and unite in the common cause of bringing speedy relief to our distressed brothers and sisters.

1.6 Mr. Speaker, with the exception of parts of Region 5, the flood waters have been removed from the land. The phase of acute disaster responses is about to give way to one of impact assessment, recovery, reconstruction and revitalisation. Already, the United Nations (UN), on February 8th, launched a flash appeal for specified interventions for the next 3 months. The Government has mobilised state and non-state actors to collect comprehensive and accurate data about the impact of the flood on Guyana. This information would be provided to the Economic Commission for Latin America and the Caribbean (ECLAC). It is expected that the completed assessments will provide a quantification of the impact on individual sectors and the overall economy. That information would inform the preparation of the necessary plans and programmes that will be implemented subsequently.

1.7 Mr. Speaker, it behoves me to inform this Honourable House that the Budget that is being presented today does not have the benefit of these assessments; neither did it take account of the costs of humanitarian support, and infrastructural and other works that would be immediately necessary. The completion of the assessments is not expected before mid-year, which is well outside the constitutional deadline for presenting the budget. While these assessments are being done, Government business must continue. When completed, the assessments will inform the modification of revenues, expenditures and the macroeconomic projections in the 2005 Budget. They will also be used in the preparation of a supplemental budget, which will be presented to the National Assembly.

1.8 Mr. Speaker, this Budget is being presented under the theme: “*Confronting Challenges - Sustaining Growth and Development*”. Unfolding events at the international level, including changes to market conditions, have the potential to harm our economic interest. Most prominent among these is the looming threat to our vital sugar industry. We also have to overcome the economic consequences of the recent flood disaster. All stakeholders must be involved, if we are to continue to roll back the tide of poverty and reach the frontiers of economic prosperity. We do recognise this and it is the reason why we have repeatedly engaged them in frank dialogue and meaningful consultations. We count on their cooperation and active involvement in the implementation of our agenda for 2005, the success of which would go a long way towards further improving the quality of life of our people.

Review of the Global Economy

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2.1 Mr. Speaker, according to the September 2004 edition of the World Economic Outlook (WEO), a publication of the International Monetary Fund, the global economy grew by 5 percent, the highest for nearly three decades. Both the industrial countries and China contributed to this significant improvement. Importantly, the growth was accompanied by a strong upturn in industrial production, global trade flows, and private consumption and investment. World trade grew by about 7.5 percent, with much of the increase being attributable to import demand from developing countries, largely as a result of rising international prices for fuel and non-fuel commodities.

2.2 Global growth is expected to fall to 4.3 percent in 2005. This growth will be led by the United States, China, and emerging market and developing countries. A higher forecast for growth was tempered by the risk of further oil price volatility. The WEO estimates that a US\$5 increase in the price of oil tends to reduce global growth by 0.3 percent. This is of particular concern to countries like Guyana, whose open economies make them extremely vulnerable to small fluctuations in world market prices for imports and contractions in world output. With spare capacity in the oil market expected to remain low throughout the remainder of this decade, the Government strategies of attracting new investments in oil exploration and seeking an arbitral settlement of the maritime boundary between Guyana and Suriname, involving an area of potentially large oil-bearing deposits, are noteworthy and relevant.

2.3 Mr. Speaker, other challenges at the international level abound and these will test our resolve during this and the coming years. The forces of globalisation, liberalisation and regional integration are systematically eroding the non-reciprocal trade preferences and the market protection on which we have traditionally depended. Even our historical and privileged relationship with the European Union (EU) is undergoing radical change, so soon after the conclusion of the Cotonou Agreement. The African, Caribbean and Pacific (ACP) countries are already under intense pressure to agree to a new WTO compatible form of Economic Partnership Agreement (EPA), which would have far-

reaching implications for our economy. The stalled negotiations for a Free Trade Association of Americas (FTAA) and persisting trade tensions continue to inhibit greater trade and output, which are vital to countries like Guyana if they are to overcome the limitations of the domestic market. Also of import to us, Mr. Speaker, are the CARICOM Single Market and Economy and our preparedness to participate in this regional endeavour.

2.4 Mr. Speaker, these challenges will serve to hasten our programme of adjustment, renewal, diversification and expansion of the economy, so as to increase its resilience and reduce its vulnerability to external shocks. At the same time, the business community and the wider population will have to come to terms with the increasingly open and competitive environment - one in which we must seek to maximise the benefits and mitigate the costs.

2.5 Equally, as a small country, Guyana must necessarily rely on diplomacy and its relations with other countries in the international community to maximise development. In the pursuit of common objectives, we will intensify our networking within the many regional and international organisations to which Guyana belongs. Our country is now a part of the South American Community of Nations (SACN) and serves as a member of the Rio Group. In 2006, we will have the honour of hosting the Rio Summit. These developments have certainly broadened the dimensions of our foreign policy and placed us in a position from which we will not only gain enhanced international prestige but also derive increased opportunities for development. The prospects are well worth an investment of our financial and human resources.

Review of the Domestic Economy

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A. Real Economic Growth

3.1 Mr. Speaker, in 2004, the economy grew by **1.6** percent, reversing the negative growth of 0.6 percent of the previous year.

B. Sector Performance

3.2 Mr. Speaker, sugar production increased by 7.6 percent to 325,317 tonnes, the second highest achieved for the decade to date. Factors which contributed to this performance included better agricultural practices and improved field and factory operations. However, unfavourable weather, especially during harvesting of the first crop, was mainly responsible for Guysuco not meeting the target of 328,383 tonnes. With respect to rice, unseasonal rainfall, which affected land preparation and shortened the harvesting period of the first crop, and logistical problems were mainly responsible for the 8.3 percent decline in output to 325,593 tonnes.

3.3 In terms of the other agricultural sub-sectors, livestock increased by 2 percent with egg production expanding by 76.9 percent to 16,401,300 units. Other agriculture grew by 2 percent while forestry increased by 0.5 percent, reflecting increased harvesting of logs (32 percent); sawn wood (3 percent); and round wood (42 percent). The high cost of fuel, which led to the temporary withdrawal of fishing vessels, was among factors responsible for the 1 percent decline in the fishing sub-sector.

3.4 Mr. Speaker, the mining and quarrying sector contracted by 6.6 percent. Overall gold declaration fell by 7.3 percent to 362,798 ounces. Although local declaration increased by 2.2 percent, this was insufficient to offset the 10.8 percent decline in output of Omai Gold Mines Limited. Declaration of diamonds continued to show an upward trend, with production increasing by 3 percent to 425,000 carats. Although output of the very high value Refractory Grade Bauxite (RASC) increased by 50.8 percent, total

bauxite production fell from 1,715,705 tonnes in 2003 to 1,503,416 tonnes in 2004, a decline of 12.4 percent.

3.5 The manufacturing sector remained flat. There were modest increases in the production of beer and stout, aerated drinks and distilled water, but several major industries recorded lower output.

3.6 Mr. Speaker, the services sector expanded by 2.3 percent, with all of the sub sectors performing creditably. Engineering and construction increased by 4 percent, reflecting the growth of public investment in infrastructural projects such as roads, bridges and sea defence. The transport and communication sub sector grew by 3.5 percent, which was driven largely by the expansion in landline, cellular and information technology infrastructure. Both the distribution and rent of dwellings sub sectors increased by 2 percent. In the former case, increased imports and recovery in some areas of manufacturing contributed to the expansion, while in the latter case, the robust expansion in private housing construction and the on-going programme to regularise squatting areas were mainly responsible for the growth in that sub sector. Other sub sectors of the services sector grew as follows: Financial Services (1 percent); Other Services (1.6 percent); and Government (1.1 percent).

C. Balance of Payments

3.7 Mr. Speaker, the capital account of the balance of payments performed exceptionally well last year. This was partly the result of higher disbursement of loans to the non-financial public sector.

3.8 Merchandise exports grew by 9.2 percent to US\$559.8 million, largely reflecting increased earnings from most of the key commodity exports. Receipts from sugar exports amounted to US\$136.8 million, an increase of 5.9 percent. The average export price of sugar of US\$472.3 per tonne was 14 percent higher than in 2003. Although production declined, higher export volume and average prices were responsible for the value of rice

exports rising by 21.6 percent to US\$55.1 million. Gold exports earned US\$145.1 million, benefiting from the depreciation of the US dollar that contributed to the 12.1 percent increase in price. Timber also returned a solid performance with export receipts growing by 18.9 percent to US\$36.5 million. The category “other exports” earned US\$141.1 million, 3.4 percent more than the previous year.

3.9 Merchandise imports were US\$674 million, an increase of 17.9 percent. This was due to a 14.8 percent rise (US\$21.8 million) in the acquisition cost of fuel and lubricants. Additionally, the cost of imported capital and other goods increased by 19 percent to US\$505 million. Net factor and non-factor payments abroad declined by 16.6 percent to US\$58.8 million, principally as a result of lower debt service. Private transfers declined by 34.6 percent to US\$45 million. These developments resulted in a deficit on the current account of US\$128 million.

3.10 The capital account recorded net inflows of US\$89.9 million, an improvement of 63.5 percent that was due mainly to higher net disbursement of loans to the public sector and increased private sector capital. However, a large one-off transaction, involving the establishment of an escrow account for Guysuco to facilitate the Skeldon Modernisation Project, worsened the overall deficit of the balance of payments to US\$45.4 million, from US\$8.9 million in 2003. This deficit was financed from the reserves of the Bank of Guyana and debt relief.

D. Monetary Developments

3.11 Mr. Speaker, monetary policy remained focused on liquidity management so as to foster stable prices, private sector credit growth and a responsive exchange rate. Currency in circulation and private sector deposits rose by 9 percent to \$115.8 billion. Private sector deposits, which accounted for 84.7 percent of total deposits, grew by 11.4 percent or \$9.9 billion. The public sector continued to be a net depositor of funds with the banking system, even though net deposits decreased by 38.2 percent to \$6.7 billion,

mainly because of a transaction involving the establishment of an escrow account for Guysuco.

3.12 Total net domestic credit of the banking system was \$37.4 billion, an increase of 48.5 percent. Credit to the private sector declined by \$456 million, reflecting the problems experienced in several sectors and the overly cautious approach to lending employed by the commercial banks. While credit to manufacturing and other services expanded by 2 percent and 9.6 percent respectively, credit to agriculture, rice milling, mining, distribution and the personal sectors contracted by 5.5 percent, 18.9 percent, 51.4 percent, 6.8 percent and 16.5 percent respectively. Total liquid assets of the commercial banks amounted to \$47.6 billion, an increase of 19 percent. The banks' excess liquid assets were 85.2 percent above the required minimum amount, reflecting their preference for short-term assets such as treasury bills.

E. Prices and Income

a. Inflation Rate

3.13 Mr. Speaker, in 2004, we projected an inflation rate of 4.5 percent. However, as in 2003, the steep rise in the international price for oil had a major impact on movements in the consumer price index in 2004, resulting in an inflation rate of **5.5** percent. This was slightly higher than the rate of 4.9 percent that was recorded in 2003. Timely policy interventions, including the lowering of the Consumption Tax on fuel, limited the overshooting of the inflation rate.

b. Interest Rate

3.14 Mr. Speaker, during 2004, the 91-day Treasury bill rate increased to 3.79 percent, from 3.40 percent in the previous year. The small savings rate declined slightly to 3.42 percent in 2004, from 3.46 percent in 2003. At the same time, the weighted average lending rate decreased to 13.45 percent in 2004, from 15.58 percent in the previous year. As a result, the spread declined from 12.12 percent in 2003 to 10.03 percent in 2004. The

reduction in the spread is a positive development, as it can act to stimulate private sector investment.

c. Exchange Rate

3.15 Mr Speaker, increased export receipts, higher disbursements of loans to the public sector, increased private transfers and greater private capital flows contributed to the increased activity in the foreign exchange market. They also obviated the need for intervention by the Bank of Guyana. The total value of foreign exchange transactions was US\$2.7 billion, surpassing those of 2003 by US\$400 million. There was a small depreciation in the value of the Guyana Dollar of 2.9 percent to G\$200.44 per US dollar.

d. Wage Rate

3.16 Mr. Speaker, public servants and members of the Disciplined Forces benefited from an across-the-board increase of 5 percent on their base wages and salaries at December 31, 2003. Pensioners also enjoyed this increase. The new minimum wage is \$23,204.

F. Fiscal Accounts

1. Central Government

3.17 Mr. Speaker, the Government continued to exercise prudence in the conduct of its fiscal affairs. Last year was especially challenging as the high and rising international prices for oil exerted tremendous pressure on domestic prices and this, in turn, heightened the demand for increased expenditure to maintain a minimum level of operations. I am pleased to report that we rose to the challenge and, through a combination of policy measures, were able to limit the deficit of the Central Government to 6.9 percent of GDP. This represents a significant improvement on the target of 10.1 percent of GDP and the previous year's outturn of 9.1 percent of GDP.

3.18 Current revenue increased by 13.8 percent to \$51.7 billion. This outstanding performance was due largely to increased taxable imports and the effectiveness of the revenue collecting methods employed by the Guyana Revenue Authority (GRA). Collections by the GRA rose by 16.2 percent to \$48.3 billion, while its share in current revenue increased from 91.5 percent in 2003 to 93.5 percent in 2004. Customs and trade taxes grew by 23 percent to \$23.5 billion, with consumption taxes accounting for the bulk of the increase. Internal revenue expanded by 10.5 percent to reach \$24.7 billion. At 20.6 percent, the growth in company income tax was four times that of personal income tax, thus reversing a trend observed over the past three years. Other current revenue was \$3.4 billion, a decline of almost \$500 million.

3.19 Largely because of the reduced need for transfers by Linmine, which totaled over \$3 billion in 2003, current expenditure increased slightly by 1 percent to \$50.2 billion. Non-interest current expenditure (net of reimbursable rice levy 'A') grew by 4 percent to \$42.5 billion. Personal emoluments and other goods and services rose by 6 percent and 16.8 percent, respectively, while transfers to the public and private sectors declined by 9.1 percent. The granting of Enhanced HIPC relief and the reduction in the average Treasury bill rate were mainly responsible for the further decrease in the cost of servicing the public debt, which declined by 12.8 percent to \$7.7 billion. Capital expenditure increased by 29.6 percent to \$22.4 billion, reflecting accelerated implementation of projects in the physical infrastructure sector.

3.20 The Government was able to realise savings of \$1.5 billion from its current operations, an impressive performance considering the deficit of \$4.3 billion in 2003. When the 20.5 percent increase in grant financing of \$10.1 billion is taken into account, the overall deficit improves from \$13.2 billion to \$10.8 billion. Of that amount, \$8.6 billion was financed from net foreign inflows. There was an extraordinary transaction involving the draw down of \$8.7 billion from public deposits to finance the establishment of an escrow account for Guysuco. This inflated net domestic borrowing to \$10.9 billion.

2. Public Enterprises

3.21 Mr. Speaker, the overall surplus on the consolidated operations of the public enterprises improved by \$1.4 billion. Receipts from operations rose by 16.8 percent to \$77.7 billion, mainly because of the extremely favourable euro/dollar exchange rate received by Guysuco and the increase in the contribution rate of the National Insurance Scheme (NIS) that was enforced in April 2004. Non-interest current expenditure increased by 15.2 percent to \$71.1 billion. Small increases were observed in the categories 'Interest Payments' and 'Capital Expenditure', which rose to \$345 million and \$2.8 billion, respectively. Taxes and dividends paid to the Government were \$868 million, 16.3 percent less than the previous year. The overall surplus of \$3.4 billion was equivalent to 2.2 percent of GDP, an improvement of almost 1 percentage point.

3. Non-Financial Public Sector

3.22 The result of the combined operations of the Central Government and the Public Enterprises was a deficit of \$7.4 billion or the equivalent of 4.7 percent of GDP. This compares favourably with the deficit of \$11.1 billion or 7.7 percent of GDP that was recorded in the previous year.

G. Debt Relief

3.23 Mr. Speaker, on January 14, 2004, the Government of Guyana and its Paris Club creditors reached an agreement on the terms and condition for the reduction of Guyana's external debt, in the context of the Enhanced Heavily Indebted Poor Countries (EHIPC) Initiative. Under the Paris Club framework, eight out of ten creditors committed to forgive 100 per cent of the relevant debt stock, while the Governments of the Russian Federation and Trinidad and Tobago will provide a 90 per cent reduction in Net Present Value (NPV) terms. As a result, by end-December 2004, the stock of external debt had fallen by 1.2 percent to US\$1.08 billion. In line with this decline, debt service payments decreased by 12.2 percent to US\$43.7 million.

3.24 During 2004, Guyana concluded bilateral debt cancellation agreements with the following eight Paris Club creditors: Denmark (US\$1.1 million); United Kingdom (£34.0 million); the Netherlands (US\$4.7 million); United States of America (US\$35.6 million); Canada (US\$1.4 million); France (US\$1.4 million); Germany (€12.3 million); and Russian Federation (US\$16.3 million). Discussions are on-going with Japan and Trinidad and Tobago with a view of concluding bilateral agreements, in keeping with the Paris Club Agreed Minute. Guyana is currently receiving debt relief from six of its multilateral creditors: International Monetary Fund (IMF), International Development Association (IDA), Inter-American Development Bank (IDB), International Fund for Agricultural Development (IFAD), European Union (EU), and the Caribbean Development Bank (CDB). Discussions are on going with the remaining three multilateral creditors for similar debt relief.

3.25 Mr. Speaker, it would be remiss of me if I did not take the opportunity to recognise the recent initiative of the United Kingdom to lobby the world's richest nations to forgive multilateral debt owed by the world's poorest countries. We applaud this move by the United Kingdom, which was announced on September 26, 2004, and we are thankful for their generosity to pay approximately 10 per cent of Guyana's debt service obligations to the International Development Agency (IDA). Equally, we support the latest proposal of Canada to pay 100 percent of debt servicing for about 15 heavily indebted countries over the next 10 years. We commend both of these timely efforts to other bilateral donors.

H. Public Sector Investment Programme

3.26 Mr. Speaker, approximately 94 percent of the \$23.9 billion public sector investment programme (PSIP) was implemented during 2004. I would now like to review individual sector performance.

1. Physical Infrastructure

3.27 With regards to improvement of the *road network*, the following activities were conducted:

- Commenced work on upgrading the road link between Mahaica and Rosignol. Total cost of this project is \$2.8 billion. By December 2004, approximately 70 percent of the road had been rehabilitated, including the widening of shoulders;
- Completed the conceptual design for the Southern entrance to Georgetown;
- Continued work on the 4-lane highway, stretching from Demerara Harbour Bridge to Mandela Avenue, on the one hand, and Demerara Harbour Bridge and Best Village, West Coast Demerara, on the other. Approximately \$975 million was spent in completing 45 percent of the project, including construction of three bridges along the West Demerara/Parika main road; and
- Spent more than \$1 billion to upgrade community and urban roads countrywide, including Mara, Belvedere, Hopetown, Enterprise, Bachelor's Adventure, Laluni, Wisrock, Patentia, Vergenoegen, Affiance, Santa Rosa and Baramita.

3.28 With respect to *bridges*, nearly \$2 billion was spent to complete forty-two bridges and culverts along the East Coast and East Bank Highways; and to start the construction of bridges spanning the Mahaica and Mahaicony Rivers. Also, more than \$79 million was expended to rehabilitate bridges in several communities. A study of the Berbice River Bridge was completed and the project was found to be economically viable.

3.29 In the *air transport sector*, \$525 million was spent to reconstruct the Arrival's Terminal at the CJIA; rehabilitate the sewage system and the Control Tower at CJIA; provide financial support for key personnel at GCAA and CJIA; and resurface hinterland airstrips at Annai and Orinduik. Over \$300 million was expended to improve *maritime facilities*. Among the activities conducted were the rehabilitation of stellingen; construction of Phase 2 of the Coast Guard Wharf; and the rehabilitation of the Police Marine Wharf in Ruimveldt. Also, assessments were conducted on port facilities and

ships and a number of them were found to be in compliance with the requirements of the International Ship and Port Facility Security (ISPS) Code, which came into force on July 1, 2004 as a way of safeguarding ships and port facilities from the threat of global terrorism.

3.30 Mr. Speaker, the Government expended in excess of \$900 million to rehabilitate critical sections of our aging *sea defence network*, and to commence preparatory works for the West Coast Sea Defence and the Essequibo/West Demerara Sea Defence Programmes. Over \$370 million was spent to rehabilitate critical sections of the sea and river defence, including raising sea dams, and constructing revetment, earthen embankment and rip rap structures.

3.31 The *drainage and irrigation* infrastructure remains a key component of our agricultural programme. This is reflected in our dedicated efforts to improve efficiency and administration in the sector, and the huge amount of resources that is allocated each year. In respect of the former, legislation was passed, in May 2004, to establish a Drainage and Irrigation Authority that will ensure, among other functions, the employment of appropriate water management strategies and the sustainable operation of the drainage and irrigation system.

3.32 With regards to the latter, over \$1 billion was expended on various activities last year. Of that amount, approximately \$370 million was spent by the National Drainage and Irrigation Board (NDIB) to construct irrigation check structures in areas such as Windsor Castle, Walton Hall, Paradise, Leguan and Fryish; construct and rehabilitate earthen embankment; execute revetment works; excavate outfall channels, and purchase and install two new mobile drainage pumps at Liverpool and Gibraltar under the Depressed Communities Initiative. Over \$500 million was used under various programmes to develop and strengthen drainage and irrigation structures in the Regions. Additionally, \$387 million was spent to prepare engineering designs for drainage and irrigation works under the Agricultural Sector Support Programme (ASSP).

2. Social Sector

3.33 Mr. Speaker, in the *education sector*, an amount of \$413 million was utilised under the Basic Education Access Management and Support Systems (BEAMS) project to develop an Education Management Information System; commence mapping of schools and work to improve school performance; complete the removal and disposal of asbestos from Bladen Hall and North Ruimveldt Multilateral Schools; and commence rehabilitation works on Tutorial High, Bladen Hall Multilateral, North Ruimveldt Multilateral, Lodge Community High, Charlestown Secondary and Aurora Secondary Schools.

3.34 A final disbursement of \$742 million was made to complete the Secondary Schools Reform Project (SSRP). Over the last eight years, over \$3 billion was spent under this project to improve the nation's overall educational quality by focusing on schools, and regional and national educational institutions. Under the Guyana Basic Education Training Project (GBET), \$90 million was expended to improve the quality of basic education through teacher training. The main beneficiary of the programme is the Cyril Potter College of Education (CPCE).

3.35 Approximately \$560 million was expended on a range of activities, including electrical wiring and construction of a trestle at President's College; extension of the Craft Production and Design Centre, rehabilitation of the National Library and Faculty buildings at the University of Guyana; extension of the National Library in New Amsterdam; construction of the Upper Corentyne Industrial Training Centre; and procurement of furniture and fittings for schools.

3.36 Mr. Speaker, in the *health sector*, nearly \$460 million was spent to complete construction of the New Amsterdam Hospital. Under the Basic Nutrition Programme, approximately \$36 million was used to procure coupons and sprinkles for children and pregnant women. This Programme aims to reduce malnutrition among women and young children of poor communities in Guyana. In 2004, a project was started that is aimed at

improving the prevention and control of sexually transmitted infections, HIV/AIDS and tuberculosis; and enhance the health information system. Work also commenced on the Health Sector Programme.

3.37 In addition, over \$174 million was spent to undertake a pilot for National Health Information System for data management at the Georgetown Chest Clinic, the Gum Clinic and the Georgetown Public Hospital Corporation (GPHC) laboratory; complete protocol for the management of sexually transmitted infections (STIs); start a pilot at the Gum Clinic, New Amsterdam Chest Clinic and Linden Hospital; and train staff, among others. Further, \$193 million was expended on a number of miscellaneous works, including construction of doctors' quarters; rehabilitation and construction of various health buildings and outposts in the Regions; and procurement of medical equipment, furniture and supplies.

3.38 Mr. Speaker, over \$2.1 billion was spent to accelerate the *housing* programme and about 10,000 house lots were positively affected. Under the Low Income Settlements (LIS) Project, \$1.3 billion was utilised to provide general housing infrastructure in areas such as Golden Grove, Diamond, Best, Non Pariel, Foulis, Good Hope, Pomona, Anna Regina and Amelia's Ward. Another \$596 million was expended on the development of new and existing housing schemes in Hope/Lowlands, Belfield, Fortland/Ordnance, Amelia's Ward, Wisrock and Paradise/Foulis.

3.39 In the areas of *water, sanitation and community development*, \$1.1 billion was used to rehabilitate water treatment plants in Eccles, LBI and Linden; complete the construction of the water treatment plant in Bartica; acquire equipment for minor water systems throughout the country; rehabilitate and lay pipelines in coastal water systems at Timehri and Charity; and finance a management contract in the sector. In terms of waste management, \$73 million was spent on the Solid Waste Programme, specifically to complete an Environmental Impact Assessment of the proposed site at Haags Bosch; provide waste containers for solid waste collection in several sites around Georgetown;

conduct Public Awareness and Cleaning campaigns; and increase safe and efficient management of solid waste disposal at the Mandela Site.

3.40 In an effort to improve the aesthetics of our towns, we had embarked on a massive Urban Development Programme. Last year, \$330 million was spent to improve the infrastructure and provide basic services for the urban population of Guyana. Specifically, it involved the execution of civil works projects in Georgetown, New Amsterdam and Corriverton/ Rosehall; rehabilitation of markets and a town hall in Corriverton, New Amsterdam, Wismar, and Bush Lot; rehabilitation of roads and drains in Georgetown, Corriverton, Rose Hall, New Amsterdam and Linden; and provision of technical assistance on Municipal Development and Property Tax Reform. Finally, the Government embarked on a project to give a facelift to wards in the South Georgetown area and an amount of \$40 million was used to finance a range of activities including rehabilitation of streets; desilting alleyways; cleaning drains, parapets, and the surroundings of the schools and the health clinic; and solid waste disposal. In addition, the Ministry of Public Works expended about \$100 million to repair streets across the city.

3. Poverty Reduction Programmes and Initiatives

3.41 Mr. Speaker, the Government continued to initiate and support programmes that promote economic advancement and provide opportunities for self-sufficiency and poverty reduction. Thus, under the Poor Rural Communities Support Services Project (PRCSSP), \$501 million was expended to provide efficient and sustainable support services to highly vulnerable agricultural groups in rural communities in Regions 2 and 3. Under the Linden Economic Advancement Project (LEAP), more than \$265 million was utilised on projects to develop agriculture and small-scale industry in Linden. Over \$200 million was spent, under the Basic Needs Trust Fund (BNTF), on road rehabilitation and on projects in the education, health and water sectors. Finally, nearly \$320 million was expended under the Social Impact Amelioration Programme (SIMAP) on community development, education, health and water projects.

I. Financial and Public Sector Reform and Governance

1. Financial Sector Reform

3.42 Mr. Speaker, in 2004, considerable progress was made in bringing supervision and key prudential regulations in line with best practices. The Amendments to the Financial Institutions Act and the Bank of Guyana Act, were enacted which were aimed at strengthening supervision and fiduciary oversight in the financial sector. The Bank of Guyana is now in a better position to deal with troubled financial institutions. The Bank engaged in a number of capacity building exercises. It collaborated with the Caribbean Anti-Money Laundering Programme (CALP) in hosting an Anti-Money Laundering Seminar for a wide cross section of stakeholders, and the Bank's examiners and inspectors. Also, the Bank's staff was exposed to training in financial soundness and early warning systems.

2. Public Sector Reform and Governance

a. Public Financial Management

3.43 Mr. Speaker, the Fiscal Management and Accountability Act (FMAA) became fully operational last year. New regulations to accompany the Act were gazetted by end-December 2004. Also, the Integrated Financial Management System (IFMAS) became operational in January last year. This system computerised several critical aspects of the government accounting function, resulting in more efficient processing and recording of transactions and, most importantly, the generation of more timely and accurate financial reporting information. The IFMAS, together with this matrix of laws, regulations, circulars and instructions, provides accounting officers and their staff with a modern, practical approach to the management of, and accounting for, Government expenditure.

3.44 A project to strengthen the project cycle management system (PCMS) started last year. The design of the institutional model for the PCMS was completed while work to develop the operating procedures and guidelines for the prioritisation of projects in the

public sector investment programme commenced. In addition, a database of projects, including project profiles and relevant information for monitoring and evaluation, is being built. New staff was recruited for the Project Cycle Unit and training commenced.

3.45 Also, a new Audit Act was passed in April 2004 to strengthen the independence of the Audit Office. The Act is a significant addition to this Government's proud record on public accountability.

b. Tax Reform

3.46 Mr. Speaker, in 2004, a number of initiatives were taken to increase transparency, efficiency and equity of the tax system. In an effort to minimise room for discretion in the grant of exemptions, the Customs Duties (Amendments) Order was issued in January. Administrative guidelines and criteria were put in place to aid in the granting of exemptions. In addition, in July, the Guyana Revenue Authority (GRA) began publication of tax exemptions that were granted. Towards the end of last year, the Customs (Amendment) Bill 2004 was passed. This legislation seeks to give effect to the revised Harmonised Commodity Description and Coding System.

3.47 At the same time, the opportunity was taken to incorporate amendments made under the Fiscal Enactment Amendment Act No. 2 of 2003, the Customs Duties (Amendments) (No. 1) Order No. 2 of 2004, and decisions arising out of the 16th and 17th Meetings of the Council for Trade and Economic Development (COTED). Work continued apace to replace the Consumption Tax with a Value Added Tax (VAT) in 2006 and, in that respect, draft legislation was prepared. In addition, a seminar was held with concerned stakeholders to explain the VAT and its implications.

c. Strengthening Public Procurement

3.48 Mr. Speaker, further steps were taken to increase transparency in public tendering and procurement. In keeping with Article 212AA of the Constitution, legislation was passed to establish a tribunal to hear appeals to decisions of the Public Procurement Commission. As a result, when the Commission becomes operational, persons with

grievances concerning decisions made by it can approach the tribunal for satisfaction. It will be recalled that the Government passed modern, comprehensive procurement legislation in 2003, to regulate the procurement of goods and services, foster competition among suppliers, and promote fairness and transparency. The new procurement law came into force on January 1, 2004, while the procurement regulations were effected on November 29, 2004. Also, the National Procurement and Tender Administration (NPTA), the body that replaced the Central Tender Board, was established. The Board of the NPTA was appointed and work commenced to establish the organisational structure and recruit staff to support the Administration.

The Economic Agenda for 2005

4

A. Overview

4.1 Mr. Speaker, in the context of the international backdrop against which this Budget was prepared, I alluded to the many challenges that we are facing, and will face, as we strive to build a better society. To effectively confront those challenges, we will need to re-orient our thinking, strategies and tactics, and review our economic and social policies, consolidating, strengthening and updating them and, where necessary, developing and implementing new ones. It is in this context that last year, the first review of the PRSP was completed and the comments and recommendations taken on board in formulating a new three-year medium term programme.

4.2 Mr. Speaker, the over-arching consideration of the three- year programme is growth, employment generation and improvement of the quality of life of all Guyanese. In keeping with these objectives, our strategic interventions in 2005 will center on: maintaining macroeconomic stability; expanding the economy through enhanced performance of traditional industries; diversification and the development of new activities; rapidly increasing job opportunities; improving the physical infrastructure; providing improved educational, health, housing, and water and sanitation systems and facilities; making our country safer from crime and drugs; reducing poverty; safeguarding our democracy; and strengthening the governance framework.

B. Maintaining Macroeconomic Stability

4.3 Mr. Speaker, as I indicated earlier, our timely policy responses to the challenges we encountered last year ensured not only that we survived, but also that we did so comfortably, with renewed growth and increased buoyancy and confidence in the economy and our people. We intend to continue on this path and will take the appropriate measures to ensure that stability is maintained in the economy. This Budget has taken into consideration, the likely international developments and their potential effects on

production, prices, the balance of payments, and the fiscal accounts. Although we did not take account of the impact of the floods, we have crafted a Budget that, barring any further deleterious developments, would see the continuation of growth in the context of moderate inflation, a surplus on the overall balance of payments and expanded private investment.

4.4 The Government will continue to invest massively in the physical infrastructure, education, health, housing, water and sanitation, and the Skeldon Modernisation Project - all of which are designed to ensure our continued survival in the new globalised environment, stimulate private sector responses, create more jobs and improve the quality of life of our people. As a result of the expansion in public investment, there will be a temporary deterioration in the fiscal deficit. However, we have ensured that these investments will take place in a sustainable manner since the bulk of financing will come from foreign sources. Any recourse to borrowing from the local banking system would be done taking into consideration the targets for inflation, growth in money supply and credit to the private sector. Indeed, once again, the Budget has projected that the Government will remain a net depositor of funds at the end of 2005.

**C. Expanding the Economy through Enhanced Performance
of Traditional Industries**

4.5 Mr Speaker, this Honourable House is aware of the strenuous and aggressive efforts made by the Government to revitalise the traditional base of the economy. We never wavered from that commitment, since not only was the economy's very survival at stake, but also the thousands of lives who depend on these industries for their livelihood and sustenance. Mr Speaker, I would now like to report on the progress made and the actions that will be taken this year to secure the foundation of our traditional industries.

1. Sugar

4.6 Mr. Speaker, work will be accelerated this year to rapidly transform the industry and improve its capacity to compete in the newly emerging environment. A contract has been signed with China National Technical Import and Export Corporation (CNTIC) for the construction of the sugar factory, which will be completed in 2007. Earlier this year, an agreement was signed with China for a US\$32.2 million concessional loan that will be used to construct a co-generation plant and assist in the upgrade of Skeldon Estate. Construction will start during the year and when completed, Guysuco will be in a position not only to meet its own needs but also to sell about 10 megawatts of power to the national grid. This will dramatically improve power supply in Berbice and contribute to that county's rapid economic and social development.

4.7 Mr. Speaker, recent proposals by the European Union to significantly alter its sugar relationship with the ACP states, if implemented in their current form, would be a severe blow to Guyana's economy and Guysuco's efforts to diversify and improve its competitiveness. As we are aware, sugar remains the backbone of our economy, is a large employer of labour, and contributes significantly to GDP, foreign exchange generation, taxes, and personal and household incomes. As expressed by the new EU Trade Commissioner, during his recent visit to Guyana, we intend to oppose these proposals vigorously, and will, in collaboration with our ACP partners, mount various platforms to lobby for reconsideration of them. But, Mr. Speaker, even as we pursue this course of action, we must press ahead with our domestic agenda to modernise the industry and secure its future.

2. Bauxite

4.8 Mr. Speaker, after years of dependence on the Central Government for massive transfers to maintain its operations, the bauxite industry is poised for take-off this year. New life was breathed into the bauxite operations at Linden when a 70:30 joint venture between the Government and Cambior was sealed. The new company, Omai Bauxite

Mining Inc, could be the immediate beneficiary of nearly US\$40 million in investment, with the first phase, involving an investment of US\$24 million, being completed in July 2005. A second phase, requiring another US\$14.5 million and involving activities to boost production, will follow shortly thereafter. The company also expects to generate its own power by April this year.

4.9 Both of these developments will have an immediate and positive impact on the quality of life of the people of Linden. Sustained bauxite activity by the new company will result in the employment and re-employment of people in the catchment area. The company has already re-employed 575 persons and, as production expands, another 225 could be employed in the next 18 months. Increased bauxite operations also mean the creation of a number of ancillary jobs for small and medium scale operators, and increased incomes and consumption of households. Further, once Omai commences generation of its own power, it will be able to satisfy the electricity needs of the entire community. Given the high cost and unreliability of the existing power supply, this would bring welcome relief to the people while serving to catalyse economic activity in the Region.

4.10 The Russian Aluminium Company (RUSAL) will be investing US\$20 million in a new entity, the Bauxite Company of Guyana Inc (BCGI), which eventually will be merged with Aroaima Mining Company (AMC). An agreement has already been signed with the Russian company, which would result in AMC doubling its production capacity to 2.5 million tonnes per annum by 2006. This is a significant development, coming as it does in a depressed area that depends heavily on bauxite mining. This investment would safeguard and expand bauxite operations, increase economic activities, and improve incomes and job prospects in the Berbice area.

4.11 Mr. Speaker, another development in bauxite is the possible construction of an alumina plant. If a US\$10 million feasibility study, which is to be conducted by RUSAL, proves viable it could pave the way for the establishment of a US\$1 billion alumina plant in Guyana. Were this to happen, it would be easily the single largest investment ever to

have been attracted to the country. Further, if realised, this project would bring stability to the local bauxite industry, since a large amount of bauxite ore would be needed. In turn, this will create thousands of jobs during the construction and operation stages, and increase economic activities substantially both in the concerned Regions and the economy as a whole.

3. Rice

4.12 Mr. Speaker, the restructuring of the rice industry will be boosted significantly this year with the coming on stream of the EU programme. Last year, the Caribbean received a grant of 24 million euros to modernise and improve the competitiveness of the regional rice industry. Guyana is benefiting from 11.7 million euros. Mr. Speaker, we are as thankful for this timely assistance by the EU as we are for the continued preferential access to the EU market under the Cotonou Agreement. However, dark clouds are hovering on the horizon. I speak here of the recent changes in the EU market for rice, which will have a negative effect on the recovery and growth of the rice industry. In turn, this will damage the economy, the livelihood of thousands and the food security of Guyana and the Caribbean. We, therefore, call on the EU to halt the implementation of the changes, to honour its commitments to a new rice import regime for ACP rice exporting countries, and to grant duty free and quota free access to the EU market.

D. Diversification and Development of New Activities

4.13 Mr. Speaker, we will continue to pursue and support the diversification and development of new activities that add value to the national product, reduce the economy's dependence on a few primary commodities, and increase employment, especially in rural, hinterland and depressed communities. In this respect, the Government has been encouraging medium- and large-scaled operators in the gold mining industry to fill the void that will be created with the closure of Omai Gold Mines Limited in August 2005. Already, Vanessa Ventures, a company that has been exploring its concession in the Marudi Mountains in Region 9, is conducting tests that may lead to

the development of an underground mine to exploit the area's gold reserves. Two other companies, Gold Stone Resources, in the Pakaraima area, and Guyana Goldfields, in the Cuyuni River, are conducting similar explorations for gold. Local operators are being urged to explore more potential gold-bearing areas and increase their output.

4.14 With respect to *petroleum exploration*, a major Spanish firm, REPSOL, has joined CGX Energy Inc in a heightened search for oil. The latter company is investing a further US\$7.3 million to drill up to five wells in an area with a high probability of gas and oil finds. Another company, Groundstar Resources Limited, is examining the feasibility of exploring for oil in the Takutu Basin, the same region where Home Oil conducted promising explorations in the early 1980's.

4.15 In *manufacturing*, Barama Company Limited will invest US\$35 million in a new sawmilling complex, a kiln and two state-of-the-art wood processing plants, among other projects, in Buck Hall, in the Essequibo River. Not only will this investment add value to the company's operations and the forestry sector as a whole, but it will also create employment for at least 500 persons and transportation links in a rural area of the country. The company may also install three megawatts of co-generated electricity to power its operations at Buck Hall.

4.16 Mr. Speaker, *tourism* continues to emerge as a promising new growth area, expanding its contribution to national income, foreign exchange earnings and employment generation. The sector enjoyed a very successful year in 2004, with the main highlight being the breaking of the 10-year record for tourist arrivals in Guyana. Nearly 125,000 persons visited last year, while the largest number of cruise ship arrivals and the largest cruise ship ventured to these shores. The sector will be boosted with the completion of several projects such as the improvements to the main and secondary airports, rehabilitation of the main road from the airport to the city, construction of the Caricom Secretariat and a Convention Centre, the building of a Multi-purpose Stadium in preparation for the hosting of World Cup Cricket in 2007.

4.17 Room capacity in the sector will be upgraded and expanded. In this regard, the Guyana Office for Investment (GO-Invest) will be facilitating eight (8) investors, who will invest \$4.6 billion and generate a number of direct and indirect jobs. The largest investment will be the construction of a new, five-star hotel, which will start this year. Further, now that the institutional framework has been put in place, several new initiatives will be pursued this year, including the funding of permanent tourism representatives in key international markets such as United Kingdom, Germany and North America. To undertake aggressive marketing in these markets, we have increased the provision to the Guyana Tourism Authority by 65 percent to \$51 million.

4.18 Mr. Speaker, even as output of the productive sectors has fluctuated over the last five years, the *services* sector has grown consistently over that period. This is evident in areas such as communications, information technology, transportation, distribution and retailing. The sector's contribution to GDP has risen from 46 percent in 1999 to almost 50 percent in 2004 while, at the same time, thousands of skilled, semi-skilled and unskilled jobs have been created. The sector's vibrancy needs to be nurtured and carefully managed so as to ensure that more high-value service industries are created and that the sector adequately services the expansion in the productive sectors.

4.19 Mr. Speaker, formal certification has been received from the European Union and the United States, which allows Guyana to export fishery products to both markets. This year, we have allocated more resources to the non-traditional agricultural sector so as to provide technical assistance to more domestic producers to obtain certification and meet international standards to develop Guyana's exports. A programme will be implemented that will target the specific needs of firms in the non-traditional sector, including the development of management and accounting systems, assuring environmental standards, and International Organisation for Standardisation (ISO) laboratory testing.

E. Job Creation

4.20 Mr. Speaker, employment creation is critical to the Government efforts to reduce poverty. It thus remains a priority of ours to raise the overall level of employment in the economy. We are convinced that we can achieve this objective, given the legislative and other changes that we have instituted to facilitate private sector expansion, the renewed confidence and optimism of the private sector in the economy, the massive increase in public expenditure, and our heightened emphasis on small and medium enterprises. For example, at a seminar held at the local EU headquarters, in October 2004, it was disclosed that the European Investment Bank (EIB) was looking towards possible investments through involvement with the local private sector. This is an important development since the EIB lends about 42 billion euros annually in such diverse areas as industry, agro-industry, mining, tourism and transport. Another indicator of this interest was the work of the Guyana Office for Investment (Go-Invest), which was able to facilitate seventy-five (75) investment projects, thirty-three (33) of which were done by overseas investors. These projects, which are at various stages of implementation, will create some one thousand, nine hundred (1,900) direct jobs and many more indirectly.

4.21 Further measures will be taken in 2005 to stimulate private sector growth. The Investment Promotion Council will be established, as required under the Investment Act that was promulgated last year. Among its functions will be to review and make recommendations on the priority investment categories and appropriate measures to strengthen private sector investment. In addition, the Companies Act 1991, the Partnership Act, the Business Names (Registration) Act, and the Friendly Societies Act of Guyana will be reviewed so as to simplify the procedures for registering and incorporating businesses. The Guyana Office for Investment will continue to assist private investors. Currently, it is considering another seventy-two projects, worth \$36.5 billion and expected to create two thousand, three hundred and fifty-five (2,355) direct jobs, in areas such as ICT, forestry and wood products, mining, light manufacturing, and services.

4.22 Mr. Speaker, other major areas of employment creation during 2005 will be in construction, especially from the large public investment programme, small and medium enterprises (SMEs), micro enterprises and self-employment. It is a fact that such enterprises can and do play a key role in creating value and employment in the economy. This is why legislative recognition was given to the sector through the passage of the Small Business Act last year. With the establishment of the Small Business Council this year, these businesses can expect to benefit from fiscal concessions, and technical and managerial support. I would like to commend all of those institutions that are involved in providing financial and other assistance to the small business sector, especially the Institute of Private Enterprise Development (IPED), the Small Business Development Finance Trust (SBDF) and the Linden Economic Advancement Fund (LEAF).

F. Public Investment in Physical Infrastructure to Facilitate Economic Growth

4.23 Mr. Speaker, another element of our Agenda for 2005 is the continued strengthening and modernisation of the physical infrastructure to meet the needs of an expanding economy while improving the quality of life of our people. In this Budget, we have provided increased resources for the timely implementation of on-going projects and the launching of new ones so as to put in place a modern, reliable and efficient infrastructure. I should now like to detail the programme for this year.

1. Power Supply

4.24 Mr. Speaker, several initiatives will be taken to strengthen the electricity network so as to increase its reach, reliability, safety and affordability. The Guyana Power and Light Company (GPL) has developed a comprehensive five-year plan for the development and expansion of electricity supply. The plan, covering the period 2004-2008, calls for an investment of US\$120 million in the sector. Of that amount, US\$23.5 million will be used to fund a project that will benefit 30,000 households in about 200 low-income, under-served and unserved areas throughout the country. In addition, since field surveys had indicated that some 57,000 households along the coast are unserved, the

Government has allocated \$300 million to help GPL to supply electricity to many of the households that fall outside of the IDB Project. Another element of the plan is the extensive upgrading of GPL's generating capability, which will see the company installing between 60-65 megawatts of new electricity generating units. The steam generating station at Kingston and several diesel and other smaller generators will be retired and new equipment commissioned. The plan also involves outsourcing power generation to Independent Power Producers (IPPs).

4.25 The company aims to reduce overall losses by about 30 percent over the plan period. With this in mind, it plans to spend US\$21 million to improve the transmission and distribution systems - including the construction of a number of substations – which will reduce technical losses and improve voltage levels. The company has already embarked on a programme to convert the electricity of the older areas in Georgetown and its environs from 50 to 60 cycles, and to date about 4,000 persons have benefited. This programme will continue this year and upon its completion the frequency conversion station at Sophia will be retired. With respect to the reduction of commercial losses, US\$2 million will be invested to check metres, replace defective ones and change all metres to the new standard.

4.26 A road map has been drawn for the re-privatisation of GPL. In keeping with this, the Government has invited local investors to invest US\$30 million for 50 percent equity in the entity. Re-privatisation could pave the way for a further investment of about US\$150 million in debt financing, as GPL is unable to contract non-concessional financing while it remains ensconced in the public sector. Finally, the Government remains committed to exploiting fully the renewable sources of energy such as hydro, solar, bagasse and wind, and will be urging the Guyana Energy Agency (GEA) to accelerate work in these areas.

2. Transport and Communication

4.27 Mr. Speaker, the Government has allocated over \$2.8 billion to continue improvement of the road network. Of this amount, \$370 million will be used to complete the rehabilitation of the Mahaica/Rosignol road. A provision of \$802 million has been made to continue the construction of the four-lane road between Demerara Harbour Bridge and Ruimveldt, including Mandela Avenue, and between the Demerara Harbour Bridge and Best Road, in Region 3. Work will continue to rehabilitate the Corentyne Highway and complete the feasibility study of the site for an alternative southern entrance into Georgetown. In terms of our locally funded programme, the Government has budgeted over \$1.2 billion to rehabilitate and upgrade community roads countrywide. Additionally, \$481 million has been provided for routine maintenance of roads.

4.28 A sum of \$756 million has been allocated to continue the bridges rehabilitation programme. Over \$646 million of this amount will be expended to complete the Main Bridges and Culverts Programme. We are currently in discussions with the IDB for a US\$10 million loan to finance the construction and rehabilitation of bridges and structures that were omitted from this programme. Additionally, \$110 million has been set aside to upgrade bridges and other structures in a number of areas in the country. Construction of the Berbice River Bridge should start this year. The privately-financed floating structure will span D'Edward Village, in Region 5, and Crab Island, in Region 6. The Government will use US\$10.5 million of external financing to construct access roads and provide technical support for the bridge. Finally, plans have advanced for the resumption of work on the Takatu River Bridge.

4.29 In 2005, nearly \$580 million has been programmed for the air transport sector. Under the Transport Sector Reform Programme, more than \$480 million will be spent on the Cheddi Jagan International Airport (CJIA) to continue the upgrade of the Arrivals Terminal and the sewerage system, upgrade Apron I, and computerisation. Under the new Airport Security Programme, \$66 million will be used to strengthen airport security at

CJIA and Ogle. Another \$30 million has been budgeted to continue works on airstrips at Orinduik and Port Kaituma.

4.30 Mr. Speaker, in terms of our maritime facilities, \$377 million has been allocated to rehabilitate ferry stelling at Morwhanna, Stanleytown and Wakenaam; complete the construction of the Leguan stelling; rehabilitate a number of vessels; refurbish a dredge, and beacons and buoys. Finally, an agreement was signed earlier this year for the European Union to fund a comprehensive study of the transport sector of Guyana. This one-year study, which will start this year, will provide a coherent and consistent strategy for the development of the transport sector over the next 10-12 years, responding to the needs of the country as articulated in the PRSP.

4.31 In the area of communications, the Government welcomed the entry of another player in the cellular market last year. This notwithstanding, we will continue to work towards the complete liberalisation of the information and communications technology industry. Mr Speaker, the importance of this industry in today's globalised environment and the role it plays in improving productivity and market access cannot be ignored. We will not allow the industry's growth and contribution to an expanding economy to continue to be stymied because of the monopoly in the telecommunications sector. It is incumbent upon us to explore all possible avenues and options to bring genuine competition to the sector.

3. Drainage and Irrigation and Sea and River Defence Systems

4.32 Mr. Speaker, even as we await the assessments in the aftermath of the recent flooding in Guyana, we have increased substantially the allocation for emergency and other works to be done to the drainage and irrigation and sea and river defence systems. Nearly \$1.8 billion has been provided to continue drainage and irrigation works in 2005. The National Drainage and Irrigation Board (NDIB) will use almost \$800 million of that sum to execute a number of projects, including the construction and rehabilitation of drains, canals and structures. Under the Agriculture Support Services Programme

(ASSP), \$360 million has been budgeted to rehabilitate secondary drainage and irrigation systems on the Coastal Plain. Under the Poor Rural Communities Support Services Project (PRCSSP), more than \$248 million has been allocated to rehabilitate drainage and irrigation systems in Regions 2 and 3. Additionally, \$350 million will be spent on drainage and irrigation structures in MMA and other areas in the Regions.

4.33 Over \$1.7 billion will be expended to continue the sea defence programme. Of this amount, \$748 million will be used to construct rip rap sea defence at Profit/Foulis. Another \$357 million has been budgeted to rehabilitate critical sections of sea defence at Capoey/Columbia, Tuschen, Meten-Mer-Zorg/DeKindren and Hague. Finally, \$645 million has been allocated for emergency sea defence works to be executed in areas such as Phoenix, El Dorado, Riverview, Belfield, and Enterprise to Plantation Canefield.

4.34 Mr. Speaker, crucial to our effort of finding a lasting solution to the problem of flooding in Guyana is the strengthening of the Hydrometeorological Department. In this respect, under a 13.2 million euro Regional Weather Radar Warning System Project, Guyana will acquire a Doppler digital radar, which will provide continuous real-time radar coverage. This weather radar, which will bring the country in line with modern technology in use worldwide, will enable the Hydrometeorological Department to provide images and guidance to the public and key local sectors, such as the aviation industry, the water resources sector, agriculture, and disaster preparedness. In addition, staff will benefit from advanced training in climatology and other weather-related disciplines.

4. Urban Development

4.35 Mr. Speaker, \$784 million has been allocated for the urban development programme, specifically to complete Phase I projects, that is, the rehabilitation of: Hadfield Street, John Street and Lombard Street, in Georgetown; Smythfield and Vryheid Lust Road, in New Amsterdam; and Jackman Street, Market Street and James Street, in Corriverton; and Phase II projects, that is, the rehabilitation of markets and town hall in

Corriverton, New Amsterdam, Wismar and Bush Lot; rehabilitation of roads and drains in Corriverton, Rose Hall, New Amsterdam, Linden and Anna Regina; and provision of technical assistance on Municipal Development and Property Tax Reform. Under the Secondary Towns Project, nearly \$175 million has been budgeted to commence various infrastructural works in Bartica, Charity, Supenaam and Parika; and institutional strengthening to enhance the capacity and capability of the Neighbourhood Democratic Councils (NDCs) in the four areas. The Georgetown Development Plan will come on stream this year. Three areas have been targeted for immediate attention, namely D'Urban Park, the Stabroek Market area, and the Georgetown Seawall, from Camp Street to the Kitty Pump Station.

G. Public Investment to Promote Social Advancement

4.36 Mr. Speaker, a well-educated, healthy and secure population is essential for overall economic growth and the reduction of poverty. In line with this, we have invested billions of dollars in the social sectors, and this has contributed immeasurably to the improvement in the quality of life of the people, as reflected in the social and poverty statistics. As a priority area, we will continue to spend a significant proportion of our GDP and budgetary expenditure to prepare our people to compete in a globalised world and to fulfill our vision of a better Guyana for all.

1. Education and Training

4.37 Mr Speaker, rapid changes in skills requirement and the demand for higher skills in new jobs make a sound education and training vital for our population. As our industries restructure to cope with the competitive challenges of the Caricom Single Market and Economy (CSME), the FTAA and the global economy, large scale education, training, re-training and re-skilling programmes will be needed to improve the employability of job-seekers and facilitate their re-deployment in high-growth sectors such as tourism and ICT. This is the focus of the Education Strategic Development Plan 2003-2007.

4.38 The major activity in the sector remains the implementation of the Basic Education Access Management and Support Systems Project (BEAMS). This US\$30 million project aims to contribute to sustainable socio-economic development and equitable poverty reduction. During 2005, \$791million will be spent to continue the construction of the Tutorial High, Bladen Hall Multilateral, North Ruimveldt Multilateral, Lodge Community High, Charlestown Government Secondary and Aurora Secondary Schools; commence construction of Bartica Secondary Schools; continue the School Mapping Exercise; and administer the cluster adviser and testing officers.

4.39 Mr. Speaker, the Government is the recipient of a grant under the International Development Association (IDA) Education for All - Fast Track Initiative. The purpose of this IDA grant is to assist the Government to meet the Millennium Development Goals (MDGs) and the Education Fast Track Initiative goal for primary education. The main initiatives under this programme are improving the quality of the teaching force in the hinterland; enhancing the teaching/learning environment in primary schools; and strengthening school community partnership. An amount of \$50 million has been budgeted to provide for textbooks, institutional strengthening, and the improvement of school facilities. Also, we will continue to implement the Remote Areas Incentive Scheme, under which a non-taxable stipend is paid by IDA to primary school teachers, and by the Government to nursery and secondary teachers in Regions 1, 7, 8, 9 and 10 (riverain areas only).

4.40 Under the Guyana Basic Education Training Project (GBET), \$60 million is budgeted for expanding distance education to Aishalton. Emphasis will continue to be placed on technical vocational education. Already in place is legislation governing National Accreditation and Technical/Vocational Education Training. This year, the National Council will be established to promote the country's economic development programme through the availability of fully trained technologist, technicians and craftsmen; and intensify manpower development through apprenticeship schemes. The Government has approached the CDB for financial support to expand the capacity and improve the quality of technical and vocational education and training in the country.

4.41 Under the Guyana Education Access Programme (GEAP), \$350 million is budgeted to complete construction of schools at Linden and Skeldon; reconstruct Linden Foundation School; acquire furniture, equipment and textbooks; and provide for institutional strengthening. Finally, more than \$500 million has been allocated for various activities in the education sector, including improving the quality and delivery of education; improving the efficiency and effectiveness of various departments and agencies; and constructing several new nursery and primary schools and teachers' quarters in areas such as Kamawatta, Goed Hope Belle West, Buxton, Supply, Zeeland and Kopinang.

2. Health and Nutrition

4.42 Mr. Speaker, the Government has responded to the rising demand for quality health care by the population by increasing the budget for the health sector. These resources will be used to continue reorganisation of the sector and implement a number of new and on-going projects and programmes. Legislation will be passed this year that will address the coordination, devolution and effective integration of all sections of the health and social services system.

4.43 Work under the US\$25 million Health Sector Programme, which seeks to improve the effectiveness, equity and equality of access to health services, will be stepped up this year. An allocation of \$160 million has been provided to start the construction, equipping and furnishing of a new hospital complex in Linden. In addition, we will start rehabilitating the electrical, potable water and sewage systems at the Georgetown Public Hospital; and will hire a number of health specialists to improve the organisational structure and functions of the health system. An amount of \$215 million has been budgeted to continue the Basic Nutrition Programme, under which basic nutritional supplements will continue to be made available to little children and pregnant and lactating mothers.

4.44 A sum of \$280 million has been budgeted for the management and care of STIs/HIV/TB; to improve the National Tuberculosis Prevention and Control Programme; and to strengthen community health care. Also, Guyana and USAID are funding a US\$20 million HIV/AIDS Reduction and Prevention Programme (GHARP). The programme's focus this year will be on the intensification of the campaign on abstinence and faithfulness; expanding the prevention of mother-to-child transmission sites; improving medical protocols; providing home-based care for the infected; supporting orphans and vulnerable children; expanding and encouraging the use of voluntary counseling and testing services; and conducting research to determine best practices in all aspects of HIV/AIDS programming.

3. Housing, Water and Sanitation

4.45 Mr. Speaker, over \$2.4 billion has been budgeted to increase access and improve housing facilities for low-income families. Under the Low Income Settlements Programme, \$1.8 billion has been provided to develop another 8,000 house lots in areas such as Amelia's Ward, Blocks A, B & C Sophia, and Bartica. Under the Housing Development Programme, \$200 million has been set aside to start infrastructural works on 4,000 house lots that are targeted for low-income families. Under the CH&PA programme, \$435 million will be expended develop housing infrastructure at Onderneeming, Amelia's Ward, Vigilance, Non Pariel and Wine Bush.

4.46 A provision of \$1.2 billion has been made for the water sector. Under the Georgetown Remedial and Sewerage Project, almost \$630 million will be used to construct iron removal plants at Ruimveldt and Sophia; refurbish the treatment plant at the Shelter Belt; install water metres and transmission and distribution mains; and rehabilitate the sewerage system. An amount of \$282 million has been provided to improve the billing system at Guyana Water Inc (GWI); upgrade water supply systems in rural and hinterland communities; and finance management services. The locally funded programme has been allocated \$265 million, which will be used to upgrade the coastal, hinterland and Linden water systems. With respect to the solid waste disposal

programme, \$120 million has been earmarked to start the construction of a sanitary landfill at Haags Bosch; enhance the safety and environmental soundness of the Mandela Site; and continue the community participation and public awareness campaign.

4. Social Welfare

4.47 Mr. Speaker, the caring nature of the Government has been borne out on numerous occasions. It will be recalled that upon our accession to office in 1992, the means test for the receipt of old age pensions was abolished. Additionally, we have consistently increased pensions in line with increases in the minimum wage. Further, we put in place arrangements to ensure that no public servant will receive a pension that is less than 50 percent of the minimum wage. Work is on-going to improve the financial viability and the soundness of the National Insurance Scheme (NIS). Among the actions that will be taken to achieve the financial objectives of the NIS are a review of the Scheme's operations; broadening of the base; and establishment of a prudential framework for investment of NIS assets that is in line with best practices. The IDB will finance a study of the public service pension system this year.

4.48 Mr. Speaker, in addition to these initiatives, we have increased the recurrent budget of the Ministry of Labour, Human Services and Social Security to \$1.5 billion. Of that amount, \$1.1 billion will be used for the Old Age Pension and Social Assistance Programme, under which about 60,000 persons are expected to benefit. In addition, pensioners will get some relief from the payment of water rates to the Guyana Water Inc, and a fund has been established to finance this subsidy. The budget of the Ministry also provides for increased spending on the Night Shelter, a temporary housing facility for distressed adults, and the Drop-in Centre, which will be expanded to provide a night shelter for street children.

4.49 A number of other on-going and new initiatives, which would have an immediate impact on the vulnerable segments of the population, will be pursued this year. These include:

- The Exercise and Core Text Book Programme, \$278 million;
- The School Feeding Programme, \$90 million;
- The Poverty Programme, \$517 million. Under this programme, over 14,000 school uniform vouchers will be issued to needy families;
- The CXC Subsidy Programme, \$46 million, under which approximately 5,125 students will benefit;
- An Optical Health Programme for the Aged, \$50 million, under which about 1,300 pairs of spectacles will be distributed to elderly and low-income persons;
- The Basic Nutrition Programme, \$215 million;
- Medical Assistance for persons with serious health problems to seek overseas medical attention, \$40 million

5. Poverty Intervention Programmes

4.50 Mr. Speaker, we will intensify spending on programmes to mitigate the effects of the structural reforms taking place in the economy. Under the Poor Rural Communities Support Services Project (PRCSSP), an additional \$551 million has been budgeted to establish Water Users Associations in 25 areas; establish Farmers Development Associations/Community Development Associations/Small Cottage Associations in 31 areas; provide credit assistance to farmers; provide technical support and conduct socio-economic studies; and provide support for rice production. The budget for the Linden Economic Advancement Programme (LEAP) is \$250 million, which will be used to complete the rehabilitation of the West Watooka and Moblissa Roads; continue work on the Inward Investment Scheme; select business incubator tenants; and continue administration of the Linden Economic Advancement Fund (LEAF). The provision for SIMAP is \$1.5 billion, which will finance about 150 projects in the education, health, water supply, community development, and transport sectors. Finally, a sum of \$605 million has been allocated, under the BNTF Programme, to implement education, health, community roads, and pure water supply projects. Special attention will be paid to

vocational training and the provision of machinery and equipment to develop skills in Amerindian communities.

H. Further Reforms and Modernisation of Financial and Public Sector Operations

1. Reforms to Strengthen the Financial Sector

4.51 Mr. Speaker, considerable progress has been made in bringing supervision and key prudential regulations in line with best practices. Further actions will be taken to increase the Bank of Guyana's capacity to conduct monetary policy and oversee the financial sector. These include the appointment of key staff to boost the Bank's management and policy-making capability and the conduct by the Bank of on-site inspections of commercial banks. The Government will request the assistance of a joint World Bank/IMF Financial Sector Assessment Programme (FSAP) to provide a comprehensive review of Guyana's financial system and its vulnerabilities.

2. Public Service Management Strengthening

4.52 Mr. Speaker, in 2005, further action will be taken to improve public management efficiency, transparency and accountability in the Government. Both public service management and the institutional capacity of the Public Service Ministry (PSM) will be strengthened. Towards this end, we will start a project to improve the capacity of PSM to regulate and manage the public service system; review the public service rules and regulations to ensure normative consistency and management flexibility; enhance the existing Human Resource Management Information System; strengthen the management capacity of personnel offices; train Permanent Secretaries (PS) and Heads of Department (HD); and design and implement a performance appraisal system for Permanent Secretaries and Heads of Departments, including a revision of their responsibilities and authority.

3. Improving the Efficiency and Accountability of Agencies and Statutory Bodies

4.53 Following submission of the report of the committee to review and classify statutory bodies (SB), the Government took the decision to incorporate the budgets of a number of semi autonomous agencies (SAA) into the 2005 estimates of expenditure of their respective line ministries. In addition, in accordance with the Fiscal Management and Accountability Act (FMAA), information on all the major statutory bodies has been included in this year's Budget, for scrutiny by this Honourable House. Further, we will develop and implement a general institutional framework to classify semi autonomous agencies and statutory bodies; revise and reclassify these entities from a sector perspective; support the strengthening and management and accountability capabilities of them; and design and implement a monitoring and evaluation system.

4. Public Sector Financial Management Reform

4.54 Mr. Speaker, as part of the Fiscal and Financial Management Programme (FFMP), several initiatives will be pursued to strengthen public sector financial management. These include:

- Acquisition and installation of the Budget Preparation and Reporting System (BPRS) module of the IFMAS. This module will increase efficiency in public expenditure management functions such as monthly expenditure projections by line ministries and monthly cash releases by the Ministry of Finance. In addition, the BPRS will establish the capacity for on-line preparation and submission of annual budget requests by line ministries and on-line adjustments to budget requests by the Ministry of Finance. It will also aid in the production of budget estimates, in accordance with revised formats, to satisfy the requirements of recent legislative changes;

- Acquisition and installation of computer and other office equipment in the Office of the Budget to increase its operational efficiency and capacity to execute its expanded functions under the Fiscal Management and Accountability Act;
- Development of an integrated macroeconomic model within the Ministry of Finance, along with associated training, to strengthen the Ministry's capacity to undertake macroeconomic modelling and medium-term forecasting; and
- Training of staff in line ministries in strategic planning and multi-year budgeting.

4.55 In addition, the Ministry of Finance will begin the tabling of a Treasury Memorandum in Parliament. The Memorandum will detail the corrective actions taken in response to the findings and recommendations reported in the Auditor General's Report, which is reviewed by the Public Accounts Committee (PAC) of Parliament.

4.56 The Government will continue to take steps to improve the efficiency and effectiveness of the public sector investment programme (PSIP). We will complete a five-year rolling PSIP, whose priorities will be consistent with the objectives of the PRSP and the debt strategy. The rolling PSIP will be integrated into the 2006 Budget, while the current component will be updated on a quarterly basis, in co-ordination with the Debt Management Division.

4.57 The new Audit Act, which provides for a strengthened and more independent Auditor General's Office, will be brought into force this year. An IDB grant of US\$600,000 will be used to hire a long-term technical adviser to guide the organisational change process and conduct training; hire an information technology specialist to computerise the Auditor General's Office and train staff to operate in a computerised environment; and hire a human resources adviser to assist in implementing the new organisational structure. The completion of these activities will put the Auditor General's office in a better position to conduct various types of audits, including value-for-money audits.

5. Tax Reform and Administration

4.58 Mr. Speaker, the overhaul of the tax system will be stepped up this year since such this is critical for promoting investment and growth, ensuring fiscal sustainability, and improving the equity of the tax system. Specifically, the following actions have been or will be taken:

- The Government will submit VAT and excise tax legislation to Parliament, and will adopt the implementing regulations;
- Following the review and identification of areas for further strengthening and streamlining, the Government has amended the Customs Duties (Amendment) (No. 1) Order 2004, to ensure greater transparency, accountability and equity;
- With the assistance of the Caribbean Technical Assistance Centre (CARTAC), we begin a study of the economic costs and benefits of existing exemptions;
- The GRA will continue to publish tax exemptions granted to various categories of recipients;
- The GRA will develop a timetable for implementing its human resource plan, and complete and implement a strategic information technology plan; and
- The IDB will support a project to extend the ASYCUDA to off-site locations and implement the ASYCUDA++ or equivalent system for the modernisation of customs.

6. Debt Management and Administration

4.59 Mr Speaker, the Government will continue to employ prudent borrowing and debt management strategies to ensure that development does not come at the price of an onerous debt burden, as happened in the past. We will pursue the remaining multilateral and Paris Club creditors for delivery of the relief envisaged under the E-HIPC Initiative. Similar action will be taken with respect to Guyana's non-Paris Club bilateral creditors. Mr Speaker, one of the recommendations coming out of the National Debt Strategy and the New Financing Workshops, which were held in 2004, was the need for Guyana to better evaluate the quality

of new financing. In this regard, we will organise a high-level, one-day policy seminar during the year, at which cross-country debt management experiences will be examined, with a view of insulating and adopting best practices.

4.60 The Government will establish a committee, comprising officials from the Projects and Debt Management Divisions of the Ministry of Finance and the Bank of Guyana, to provide periodic updates and reviews of the debt sustainability framework. This will inform both project selection and the contracting of new loans. Under the Fiscal and Financial Management Programme (FFMP), the laws governing the processes of debt management will be overhauled and the organisational structure changed. This will improve the flow of information and operational processes necessary for effective debt management. Training and operational manuals will be provided to the Debt Management Division in its conduct of debt servicing, sustainability analysis, and analysis of new concessional financing. This training will be complemented by further staff development provided by organisations such as Debt Relief International (DRI), Latin America Centre for Monetary Studies (CEMLA) and the European Union (EU). Finally, the facilities and environment of the Debt Management Division will be refurbished and upgraded.

I. Crime and Security

4.61 Mr. Speaker, economic and social advancement of the country would be slowed, or even retarded, if an atmosphere of peace and security does not prevail. This is why security is a top priority of the Government and, as the President declared recently, “no resource will be spared in ensuring that it is maintained.” The Police Force must be given the wherewithal to fight and prevent crime. So far, they have been doing a reasonable job as they have been able to make inroads into reported serious crimes. As indicated by the available data, such crimes have reduced from 4,149 cases in 2000 to 3,448 cases in 2004. Commendable though this may be, much more work needs to be done.

4.62 In this Budget, we have kept our promise to provide more resources to the Police. An allocation of \$3.4 billion has been made for the Police Force to maintain law and

order, gather intelligence information and improve their forensic capability, and repair police stations and police accommodation across the country. In addition, the funds will be used to recruit and train additional ranks, and purchase equipment, vehicles and water transport. Also, the Force will pay closer attention to the petty crimes committed in communities across the country.

4.63 Mr. Speaker, the Government has adopted an attitude of zero tolerance for those who engage in drug and human trafficking. In this respect, we have taken several initiatives to restrict both forms of trafficking. With regards to drug trafficking, among the actions that have been taken to date are:

- The establishment of the Customs Anti Narcotics Unit (CANU). Together with the Police, CANU maintains a permanent presence at the airport and the country's borders;
- The use of television cameras by the GRA and law enforcement bodies to monitor activities at all ports; and
- The formalisation of links with other countries as mandated under the United Nations Treaty to establish links to stem the growth of narcotics;

4.64 We will boost the administrative capability to fight drug trafficking with the creation of a special drug unit this year. With respect to trafficking in persons, the Government passed legislation to combat this activity last year, and several public awareness campaigns were conducted in the ten administrative regions of the country. This year, we will intensify training for all stakeholders.

J. Reform of the Judiciary

4.65 Mr. Speaker, we have been creating a congenial environment for the efficient functioning and effective administration of the Judiciary. For the first time in many years, the Judiciary has its full complement of judges, while several appointments have been made to the Magistracy. Repairs to court buildings and judges' quarters have continued.

The library resources of the High Court have been boosted significantly, inuring to the benefit of members of both the judiciary and the practicing bar. Finally, there are on-going legal education programmes, seminars and refresher courses for members of the judiciary. These developments have already had a noticeable impact on the dispensing of justice.

4.66 Mr. Speaker, this year, action will be taken to improve case management and reduce the backlog of cases. The United States Agency for International Development (USAID) has financed the establishment of an Alternative Dispute Resolution (ADR) Centre as well as a television series in the area of justice administration. The Agency will continue to support the use of ADR mechanisms and Court Directed Mediation as these would greatly reduce the number of cases that actually go to trial. The IDB will assist the Government to establish a commercial court, which will help to reduce financial intermediation costs and facilitate an enabling environment for private sector investment. Specialised training will be provided to judges who will preside over this court.

K. Governance and People Participation

4.67 Mr. Speaker, the move by the PNC/R last year to end the constructive engagement would have disappointed many in the society. However, recent signs of re-engagement are encouraging, as they hold much promise for enduring peace and stability in the country. Importantly, the resumption of the political dialogue, which should take place within the precincts of Parliament, would allow for discussion and settlement of the outstanding issues.

4.68 The Parliament will benefit from institutional strengthening programmes. First, under the Democracy and Governance Programme, technical and training assistance will be given to a number of standing parliamentary committees, and staff and other bodies in budget disclosure, oversight mechanisms, legislative drafting and analysis, and constituency outreach. Second, the Commonwealth Secretariat will assist Parliament to execute a project to build its institutional capacity. Specifically, two advisers will be

assigned to this arm of the state to increase its technical and institutional capacity, and to service Members of Parliament and the business of Parliament. They will also help to increase the effectiveness, efficiency and relevance of committees to the parliamentary process, and assess the medium/long term needs of the National Assembly. Third, under the Fiscal and Financial Management Programme, the two financial oversight committees of Parliament – Public Accounts Committee and the Economic Services Committee – will be strengthened.

4.69 Finally, Mr Speaker, on this aspect of enhancing the governance framework and promoting greater people participation, General and Regional Elections are constitutionally due in 2006. An initial sum of \$1 billion has been budgeted for a number of elections-related activities. Technical assistance and training will continue to be provided by USAID to the Guyana Elections Commission in the areas of electoral reform, elections administration, as well as organisational and operational management.

L. Statistical Reform for Improved Policy Making

4.70 Mr Speaker, last year, I signalled Government's intention to improve the country's capacity to generate, analyse and report economic and social data. This year, the Statistical Bureau will start a Household Budget and Living Conditions Survey. This Survey will cover approximately 7,200 households and will facilitate the derivation of a new basket of goods and services to support the computation of a new Consumer Price Index (CPI). Together with the 2003 Population Census, the Survey will allow the production of a detailed poverty map, which will help to improve social impact analyses of structural reforms, monitor progress towards poverty reduction, and strengthen the formulation of poverty reduction policies.

4.71 A project to re-base Guyana's GDP from the present base year of 1988 to the more recent base year of 2002 will commence in the second half of this year. It will take advantage of the consumption and expenditure information that would be gathered from the Household Survey.

4.72 Mr. Speaker, the development of institutional capacity in social statistics will assume particular significance during the coming years, given the commitments under the Poverty Reduction Strategy Programme and the importance of meeting the Millennium Development Goals (MDGs). Both of them require extensive analytical capacity and monitoring capability within the statistical system. In this context, the Social Statistics and Policy Analysis Project, which is funded by the IDB, will come on stream this year. Work has started to identify the institutional and systemic strengths and weaknesses in social sector statistics and a programme of remedial action and institutional strengthening is being developed. A Project Steering Committee that includes the Statistical Bureau and beneficiary social sector Ministries is implementing the project.

Economic and Financial Targets for 2005

5

A. Introduction

5.1 Mr. Speaker, as indicated previously, this Budget is based on a macroeconomic framework that was developed prior to the incidence of the floods. Within this framework, the principal economic and financial targets are as follows:

B. Real Gross Domestic Product

5.2 Mr. Speaker, building on the economic growth achieved last year, real Gross Domestic Product (GDP) is projected to expand by **2.2** percent in 2005. Fuelling this growth would be the anticipated recoveries in the key traditional sectors and increased contributions from many of the non-traditional sectors.

1. Agriculture

5.3 Sugar production is projected to improve by 3.9 percent to 338,000 tonnes. Rice output is budgeted to increase by 12.1 percent to 365,000 tonnes. This stronger performance is premised on such variables as increased acreage under cultivation, higher paddy prices and increased productivity. The projected growth rates of the other sub sectors are as follows: *livestock, 5.5 percent; other agriculture, 5 percent; fishing, 5.5 percent; and forestry, 4 percent.*

2. Industry

5.4 Mr. Speaker, the *mining and quarrying sector* is programmed to decline by 24.9 percent. This significant contraction in the sector will be triggered by the closure of the country's largest gold mine in August 2005. Gold declaration is expected to decrease by 39.5 percent to 219,480 ounces, as a result of a 58.6 percent decline in output by Omai

Gold Mines Limited and a 5.5 percent increase in declaration by the local miners. Output of diamonds is expected to rise by 2.1 percent to 434,000 carats. Largely as a result of the substantial investment in the industry, bauxite is projected to grow strongly by 51.7 percent to 2,326,000 tonnes. The huge increase in spending on the public investment programme, especially expenditure on the physical infrastructure and housing, and the expected expansion in private sector activity will contribute to the budgeted 6.5 percent increase in the *engineering and construction sector*.

5.5 The *manufacturing sector* is projected to grow by 4 percent. This recovery will depend on an improved performance in the beverage and alcohol industry, and a secondary demand for light manufactures such as furniture, fittings and building blocks.

3. Services

5.6 Mr. Speaker, the *transportation and communications* sub sector is projected to grow by 7 percent, arising principally from the increased activities of the companies in telecommunications. *Distribution* is targeted to grow by 5.9 percent while other sub sectors of the sector are budgeted to increase as follows: *rent of dwellings*, 4.8 percent; *financial services*, 5.5 percent; *government*, 1.3 percent; and *other services*, 4.8 percent.

C. Monetary Policy and Inflation

5.7 Mr. Speaker, the conduct of monetary policy in 2005 will continue to focus on price stability, private sector expansion, and viable balance of payments and international reserves positions. The Bank of Guyana will monitor developments in the monetary sector very closely and will take the necessary action to defend the exchange rate and meet the target for net international reserves.

5.8 The rate of inflation is targeted at **5.6** percent.

D. Balance of Payments

5.9 Mr. Speaker, the value of merchandise exports is projected to decline by 4.8 percent to US\$533 million, on account of reduced export earnings from gold and the possible strengthening of the US dollar. However, the value of the other main exports is budgeted to rise. In particular, receipts from sugar are expected to grow to US\$143 million, or 4.6 percent, while those for rice are projected to increase to US\$58 million, or 5.3 percent. Export earnings from bauxite are budgeted at US\$57 million, an increase of 26.1 percent, reflecting the anticipated turnaround in the industry. The value of other exports (including re-exports) is targeted to increase slightly to US\$142 million. Merchandise imports are projected to grow by 1.8 percent to US\$686 million. Import of capital and intermediate goods is projected to rise in response to the expansion in the economy.

5.10 Lower debt service payment would be mainly responsible for the budgeted 21.8 percent decline in net services. Although enhanced by an anticipated increase in private transfers to US\$50 million, these improvements will be insufficient to offset the shortfall in the visible balance of trade. Hence, the current account deficit is programmed to widen to US\$149 million. On the contrary, the capital account balance is projected to improve to US\$165.1 million, or 83.6 percent. This will help the overall balance of payments to achieve a surplus of US\$11.5 million, instead of the deficit of US\$45.4 million in 2004.

E. Targets for the Non-Financial Public Sector

1. Central Government

5.11 Mr. Speaker, the target for current revenue of the Central Government (net of reimbursable rice levy 'A') is \$51.7 billion, an increase of about \$60 million. Collections by the Internal Revenue Department are expected to grow by 3.5 percent to \$25.6 billion, largely reflecting projected increases in income and company taxes. On the other hand, collections by Customs and Trade Administration are budgeted to decline by \$171

million to \$23.4 billion. Other current revenue is programmed to decline by 18.4 percent to \$2.8 billion, mainly on account of the significant fall in royalties from gold mining.

5.12 Current expenditure (net of reimbursable rice levy 'A') is budgeted at \$54 billion, an increase of 7.5 percent. Personal emoluments are programmed to rise by 9.1 percent to \$18.9 billion, while other goods and services should increase by 14.9 percent to \$14.9 billion, in part because of a \$1 billion provision for expenditure related to the hosting of the General and Regional Elections in 2006. Transfers to the private sector are budgeted to increase by almost \$600 million to \$12.8 billion. Interest payments are programmed to fall further to \$7.4 billion, from \$7.7 billion in 2004.

5.13 Capital expenditure is expected to grow to \$31.7 billion, an increase of 41.6 percent that reflects significant transfers to Guysuco for the Skeldon Modernisation Project and the planned completion of several public sector infrastructural projects. With grant financing remaining flat at \$11.2 billion, the overall deficit will widen to \$22.8 billion (or 14.2 percent of GDP). Approximately 71 percent of the deficit, or \$16.3 billion (which is adjusted for projected disbursements from the Guysuco escrow account), will be financed from net external inflows, while the balance will be sourced from the local banking system.

5.14 Mr. Speaker, the significant growth in government expenditure that has been projected for this year easily makes the 2005 Budget the largest ever. **Total expenditure is budgeted at \$86.4 billion**, which is 14 percent more than the latest estimate for 2004.

2. Public Enterprises

5.15 Mr Speaker, the public enterprises are programmed to return an improved performance in 2005. Receipts for the group have been projected at \$83.8 billion, 7.9 percent more than in 2004. At 12.1 percent, total expenditure of \$83.2 billion is budgeted to increase at a faster rate than total receipts. After making transfers of \$866 million in taxes and dividends to the Central Government, the public enterprises should realise

current savings of \$7.9 billion, an improvement of 26.5 percent. Capital expenditure is expected to climb by 162 percent to \$7.3 billion, mostly reflecting acceleration of the Skeldon Estate Modernisation Project. This would result in a significant reduction in the overall surplus to \$572 million, from \$3.4 billion in 2004.

3. Non-Financial Public Sector Deficit

5.16 The resulting deficit of the non-financial public sector of \$22.2 billion is equivalent to 13.8 percent of GDP, rising from 4.7 percent of GDP in 2004. A significant part of this deficit will be financed from foreign sources.

5.17 Mr. Speaker, these targets will be revisited after the completion of the impact assessment that the Government, with the assistance of ECLAC, is currently undertaking.

Conclusion

6

6.1 Mr. Speaker, Guyana is slowly emerging from one of the most challenging moments in its young history. The recent unprecedented flooding that inundated several parts of the country demanded decisive leadership, organisational capability and innovativeness. This was provided by the Government. It is this Government which, over the years, has been laying the foundations for sustained growth and development. It is this Government that has been restoring hope and pride in our people – a people whose yearning for a better quality of life is steadily being fulfilled. It is this Government that has raised Guyana's international profile, as evidenced by the leading roles we are now assuming in Latin America and the Caribbean. True, we have suffered a temporary setback as a result of the flooding. But we will be unwavering in our vision to create a modern, democratic society with abundant opportunities and a high standard of living. This is our promise to our people and we will deliver on that promise.

6.2 Mr. Speaker, it is not the first time that our people's resolve has been tested. And it is not the first time that they have responded admirably and with true generosity of spirit, for which Guyanese have come to be known. I saw people of little means giving willingly to those in greater need. I witnessed the communal sharing of food and living space by people of different backgrounds. I observed people braving great dangers to help those less able than themselves. I watched our people's creativity and ingenuity flower and bloom as they sought to overcome the difficulties and get on with their lives. These experiences have left an indelible imprint on my mind, and they have filled me with hope of a grander and more lasting unity. I am confident that we will rise above the adversity visited upon us and take the high road to recovery and reconstruction.

6.3 Mr. Speaker, out of adversity cometh strength! Let us use the recent flooding, not as a means of recrimination and finger-pointing or to score cheap political points, but as an opportunity to forge new links between and across communities, and between and among our people. Together, let us confront the challenges and redouble our resolve to continue building this nation so that we can reap the rich harvest of peace and prosperity.

Mr. Speaker, I thank you!