



# BUDGET 2009

Working Together - Reinforcing Resilience

February 9, 2009



**GUYANA**

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**BUDGET SPEECH**

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**Minister of Finance**

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**February 9, 2009**



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## **1. Introduction**

1.1 Mr. Speaker, I rise to move the motion for the approval of the Estimates of the Public Sector and the Budget for the Financial Year 2009 and, in so doing, I wish to indicate that, pursuant to Article 171 Paragraph 2 of the Constitution, the Cabinet has recommended that the National Assembly proceed upon this motion.

1.2 Mr. Speaker, Budget 2009 comes to this Honourable House thirty months, or half an electoral term, since this PPP/Civic Government embarked on fulfilling the renewed mandate we received at the August 28<sup>th</sup>, 2006 general and regional elections. In the first budget speech of the current term of office, an ambitious plan was outlined for advancing the work required to build the modern and prosperous Guyana to which we all aspire. This plan was grounded in our contract with the People of Guyana, the manifesto on the basis of which we were reelected to office. It comprised a comprehensive agenda of policies and programmes all aimed at the objectives of realising the wealthy potential of our country and bringing further improvement to the lives of all of our citizens alike.

1.3 Since then, the economy has grown steadily and sustainably, with sectors that were previously considered non-traditional demonstrating increasing strength and buoyancy. A reinvigorated effort to diversify our productive base has been launched and is already yielding tangible results, especially in areas such as agriculture and the services sector, creating jobs and generating income. Far-reaching institutional reforms have commenced, and capacity and capabilities enhanced, in the justice and security sectors so that our people would be better protected and served by the law. The physical infrastructure of our country has expanded rapidly, including through innovative and historic partnerships. Marked progress has been made in expanding coverage and improving quality of social services, including through construction of new schools and hospitals, strengthened and expanded teacher training, and preparation of an enhanced cadre of medical professionals. Special interventions have also been launched to protect the most vulnerable in our society, including children, the elderly, women, and victims of domestic violence.

1.4 Throughout the period, political and social stability has been preserved, and significant inroads made to contain the spectre of violent crime, through the outstanding work of the men and women of our disciplined services to whom we are all indebted as a nation.

1.5 In the midst of all of this, the Guyanese People also made time to send a resounding reminder to the Caribbean of our unmatched reputation for hospitality, and to put the rest of the world on notice that we have all of the ingredients of a tourism destination of preferred choice. The successful hosting of our segment of Cricket World Cup in 2007 was followed last year by the thoroughly enjoyable and equally successful CARIFESTA X. Whether you attended a super concert, an art exhibition, a steel band recital, an evening of the performing arts, or one of the grand markets or fashion shows, this eight day cultural extravaganza was a treat for both Guyanese and visitors alike. The lasting impressions created in the minds of those who visited including from our Diaspora, the renewed self-confidence of our performers and our service providers, the extensive global exposure and favourable media coverage of our country and, perhaps most importantly, the visible happiness of our people as they rediscovered and savoured the richness of our cultural diversity, will all serve us well long into the future.

1.6 Having said this, none of the progress that we have made or any of the successes that we have recorded as a country over the past two and a half years can be said to have come easily. They were achieved against a global background characterised, for the greater part, by uncertainty and volatility, and conditions that were generally against our favour.

1.7 Over the first two years of our current term of office, the major external economic challenge that manifested itself was what appeared at the time to be an inexorable rise in primary commodity prices to historically unprecedented levels. This triggered accelerated investment and expansion of productive capacity where possible, but brought with it severe inflationary pressures. By the early months of 2008, it also brought with it the globally acknowledged need for interventions aimed specifically at slowing the onset, and stemming the impact, of global fuel and food crisis. We responded accordingly on the domestic front,



with a number of interventions aimed at increasing food production and at containing the impact of rising prices on the most vulnerable in society.

1.8 By the third quarter of last year, the simmering United States housing market downturn and associated subprime mortgage market crisis had exploded into full blown contagion across the major financial markets of the world, resulting in widespread foreclosures and bankruptcies, severe contracting of credit, extensive job losses, stifled consumer confidence and spending, plummeting commodity prices, and collapsed real and financial asset prices. By the end of 2008, the world economy had slipped into deeply embedded recessionary conditions.

1.9 Mr. Speaker, as we cast our eyes back now at the last two and a half years, we must be careful not to treat as a distant or irrelevant memory our experiences up to the end of the first half of 2008. I emphasise this because the challenges of energy and food security are no less before us today, because prices are somewhat lower, than they were six months ago. The quest for alternative and more sustainable energy supplies, and for dramatically increased food production, must not be slowed or sidelined as the world grapples with the current financial crisis. The imperatives of energy and food security are of particular relevance to those of us in the Caribbean given the magnitude of our Region's food import bill and Guyana's fuel import bill even at today's prices, and given the economic challenges that the Region faces in the immediate future. Undoubtedly, the struggle to keep these issues on the global agenda today will be more difficult than ever before, but it is a struggle we must and will maintain. Policymakers the world over must be vigilant to ensure that the next fuel or food crisis does not find us in a state that suggests that we did not learn the lessons of the last crisis.

1.10 Mr. Speaker, still on the current global situation, we in Guyana should make no mistake about it. Recovery from the current global recession will be long in coming, and no country will be spared the accompanying trauma. Events in the Caribbean's financial sector over the past week have certainly driven home this reality. Notwithstanding that Guyana's financial system remains unquestionably sound, the indirect channels through which we can be exposed are several. Our foreign direct investment projects now face the prospect of

scarce and costly financing overseas. Our commodity producers and our exporters now face depressed prices and reduced external demand. Our Diaspora communities now face conditions that could threaten migrant remittance inflows to, and visitor arrivals in, Guyana. Our development partners now face harsh budgetary choices of their own that could adversely affect the availability of development financing for countries like ours. These are the externally imposed risks we face today.

1.11 Alongside these risks, we continue to face in Guyana and the Caribbean the devastating effects of climate change in a very immediate and direct way. As recent as last month, Guyana was given an unwelcome reminder of the increased frequency and intensity with which we now face extreme weather episodes, as heavy rains battered our coast and as our overloaded drainage systems struggled to protect our homes and our farmlands. Any response to bring lasting relief from this challenge will involve difficult fiscal choices on our part. This is a domestic reality that we must face as we enter 2009.

1.12 Mr. Speaker, early in my budget speech for last year, I stated that this Government will continue to manage our economy responsibly, avoiding short term actions that can undermine long term stability and growth. This we did, throughout last year. Today, this commitment appears even more relevant and necessary, and I am pleased to reaffirm it.

1.13 The People of Guyana can be assured that, despite the harshness of the external economic environment and despite its inevitable effects domestically, our Government will continue to work assiduously to protect the stability of the macroeconomic environment that is so necessary for private investment and growth in the economy, for the protection and creation of jobs, for the generation of incomes, and for the protection of the welfare of the most vulnerable. We will continue to develop our legislative, regulatory, and institutional frameworks, so that they remain relevant to the evolving challenges we face today and are likely to face tomorrow. We will continue to develop the physical infrastructure that is so critical to the transformation of our country, both from the point of view of its economic impact and its impact on quality of life. We will continue to prioritise the provision of social services, so that more Guyanese will be able to own and occupy their own homes and have access to potable water, so that citizens throughout the length and breadth of our country

will have access to a public healthcare system that meets their needs, and so that the young people of our country will benefit from an education system that prepares them properly for the world of tomorrow.

1.14 I hasten to add, however, that times such as those currently being experienced globally require more than Government policy and commitment. They require individual effort and discipline, both at the corporate and personal levels. More than ever before, the success of our economy will depend on the efficiency with which our companies operate and on the productivity with which our citizens work. As demand contracts and prices decline, the investments that will prove feasible and the companies that will survive and grow are those that are able to produce goods and services of quality and at costs that can compete with the rest of the world. In this regard, things will be no different in Guyana from anywhere else. The tasks of eliminating waste and losses, of maximising the effectiveness of spending and soundness of investment decisions, and of ensuring that we optimise the productive use of every asset and of every man hour, must now preoccupy every manager and every worker in the private sector and public sector alike.

1.15 Mr. Speaker, it is hard work by all of us, and close personal attention to the quality of our every effort, that will see us as individuals and as a country through the current global economic storm and keep us on our path to prosperity. For this reason, Budget 2009 is presented under the theme *Working Together – Reinforcing Resilience*.

## 2. Review of the Global Economy

2.1 Mr. Speaker, against the background to which I have just alluded, world output is currently estimated to have increased by 3.4 percent in 2008 as against 5.2 percent in 2007. Underlying this performance was growth of 6.3 percent in the emerging and developing economies, led once again by China and India who recorded growth of 9 and 7.3 percent, respectively. The advanced economies realised much slower overall growth of 1 percent, with the United States economy expanding by 1.1 percent, the Euro Area, United Kingdom and Canada recording even slower growth, and the Japanese economy recording negative growth.

2.2 The dramatic slowdown in global economic activity, which manifested itself moreso in the second half of 2008, brought with it a reversal in commodity prices that erased the increases accumulated in preceding months and years. Crude oil prices had increased by 48.2 percent from an average of US\$89 per barrel in December 2007 to US\$133 in July 2008, only to decline by the end of the year to US\$42 per barrel, the lowest level since December 2004. The same was the case with aluminium, for example, with the price increasing by 28.7 percent in the first seven months of 2008 to US\$3,068 per tonne, and then declining by the end of the year to US\$1,504 per tonne, the lowest level since October 2003. In the case of food commodities, rice prices increased by 168.6 percent in the first four months of the year to US\$1,015 per tonne, but then ended the year at US\$551 per tonne, still 45.7 percent higher than at the end of the previous year. Other commodities such as wheat and corn also peaked during 2008, but reversed towards the end of the year. These declines in commodity prices have induced significant producer and market pessimism, exacerbated the stress and exposure facing financial systems worldwide, and contributed much to the downward revision in the global outlook.

2.3 Just as commodity prices peaked and receded during the year, after enjoying relatively strong performance in the earlier months of 2008, global stock markets slumped to record low levels by the end of the year. In New York, the Dow Jones Industrial Average Index recorded its worst performance since 1931 losing 33.8 percent of its value in 2008. In London the FTSE 100 Index lost 31.3 percent of its value, the German index lost 40.4

percent of its value, and Japanese shares lost 42.1 percent of their value, all recording their worst annual performance in several decades. In total, global stock markets lost US\$30.1 trillion or approximately half their value last year.

2.4 The prevailing circumstances have combined to necessitate large scale intervention by the major capitals of the world. These have come at a currently estimated total cost of US\$10 trillion and have aimed primarily at shoring up the financial system by acquiring financial institutions in distress, insuring bad debts to protect balance sheets, injecting liquidity into the financial markets, and other measures to restart lending and bolster market confidence.

2.5 Despite these interventions, global growth is projected to slow to 0.5 percent in 2009, with emerging and developing economies growing at 3.3 percent and compensating only modestly for the anticipated contraction of 2 percent in the advanced economies. All of the major advanced economies of the world are projected to end 2009 with negative growth, and world trade volumes are projected to decline by 2.8 percent. Moreover, these projections are subject to key downside risks, especially through the very real prospect of the current recession in the developed world becoming more pervasive and reaching more deeply into the developing economies. Nevertheless, a recovery is projected to commence towards the end of 2009, as the various interventions and stabilisation efforts start to take effect.

2.6 These global developments have drawn attention, and indeed added urgency, to the issue of reforming the international financial institutions. While the need for reform has long been recognised, progress has been painfully limited. More recently, Guyana has itself been at the forefront of the call for urgent attention to such matters as the mandate, decision-making mechanisms and responsiveness of the institutions, the status of financial stability as a global public good, and the implications for global governance. Guyana will continue to repeat this call at every available opportunity until more substantial progress is observable.

2.7 Closer home, the Caribbean is estimated to have grown by 2.4 percent in 2008, reflecting the rapid transmission of the global downturn into those regional economies which are dominated by tourism and financial services sectors. Indeed, significant job losses

have already been reported in some of the Region's major tourism centres. These conditions are expected to persist for some time, and growth in the Region is projected at 1.4 percent in 2009. The achievement of this projection will depend heavily on the Region's ability to adapt its tourism product and the pace with which other sectors of productive activity can be mobilised.

2.8 Meanwhile, as I indicated earlier, the Caribbean Region was only last week reminded of the absence of immunity from financial crisis even in our part of the world. Liquidity difficulties experienced by specified subsidiaries of one of the Region's largest conglomerates resulted in regulatory intervention, including acquisition of assets, injection of liquidity, and compulsory restructuring of holdings. The swift response by the authorities provided adequate reassurance that systemic stability was not in jeopardy, but the avoidance and containment of similar risk going forward will be critical to the safeguarding of the Region's growth prospects.

2.9 In the same way that the global financial crisis brought home the urgency of reform of the international financial institutions, last week's events in the Region highlighted the need for renewed attention to regional endeavours in areas such as financial sector supervision and oversight, and collaboration among regulatory authorities. Indeed, the current economic challenges facing the Region should sharpen focus on the need for accelerated progress in implementing the CARICOM Single Market and Economy, including in such aspects as the movement of factors of production to mobilise our comparative advantages within the Region.

### **3. Review of the Domestic Economy**

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

3.1 Mr. Speaker, the Guyanese economy achieved real growth of 3.1 percent in 2008, a most commendable achievement under the circumstances that prevailed. This represents the third successive year of expansion in domestic output, following growth rates of 5.1 and 5.4 percent in 2006 and 2007, respectively. Given the weight of sugar in the domestic economy, and the manner in which this sector affected overall performance this year, it is worthwhile to note that non-sugar gross domestic product grew by 5.9 percent in 2008.

#### **B. Sectoral Performance**

3.2 Mr. Speaker, sugar production totalled 226,267 tonnes, a decline of 15.1 percent from the previous year's output. Strikingly, the first crop actually increased by 2.3 percent to 103,280 tonnes and was the largest first crop in four years. On the other hand, the second crop declined by 25.7 percent to 122,987 tonnes. The Guyana Sugar Corporation Inc. (Guysuco) has attributed this to a number of reasons, primarily complications in the transition to the new factory at Skeldon, the impact of waterlogged soils on cane growth and sucrose content, pest infestation, and high incidence of industrial stoppages.

3.3 Mr. Speaker, on the other hand, the domestic rice industry responded to favourable price conditions with expanded acreage and upgraded equipment capacity. These developments enabled the industry to overcome the challenges of adverse weather and untimely payment by some large millers to farmers, and increase output by 10.5 percent to 329,574 tonnes, the highest annual production in five years.

3.4 Other agriculture subsectors also demonstrated strong responsiveness to the Grow More campaign that was launched early in 2008. Under this campaign, seed and other planting material and breeding stock were distributed to farmers and households, and extension services scaled up throughout the country, with the aim of encouraging both commercial and household subsistence production of crops and livestock. As a result, the

livestock and other crops sectors grew by 7.4 and 7.7 percent, respectively. On the other hand, the fishing industry continued to show the effects of contraction in the fishing fleet, depletion of fishing stock in certain grounds, the impact of fuel prices on heavily fuel intensive operations, and lingering fallout from incidents of piracy. Together, these factors contributed to a 2 percent contraction in the sector's output. Similarly, the forestry sector recorded a 15.2 percent decline in output, reflecting the effects of stronger enforcement and grading activities by the Guyana Forestry Commission.

3.5 Mr. Speaker, the mining and quarrying sector continued its strong performance of recent years with growth of 6.1 percent in 2008. This was led by gold production, with raw gold declarations increasing by 9.7 percent to 261,424 ounces on the back of prices that remained on average approximately 25 percent above those obtained in 2007. Bauxite achieved outstanding growth of 22.8 percent in the first half of 2008, reflecting the conducive world market conditions during that period. However, the halving of the world market price and the accumulation of global inventory stockpiles in the last five months of the year filtered swiftly through to the domestic industry. Total bauxite production therefore ended the year at 2,092,237 tonnes, a 6.7 percent decline relative to 2007. Diamond declarations continued to decline partly as a result of productive capacity being diverted to the gold industry, and totalled 168,926 carats in 2008, a 37.2 percent reduction from the previous year.

3.6 The manufacturing sector continued to show mixed performances, with subsectors such as rum, some other beverages, and paints recording increased production, while others such as flour declined. On balance, manufacturing output contracted by 2 percent in the year.

3.7 Engineering and construction expanded by 8.5 percent, with the completion of a number of major public infrastructure projects, continued strong construction activity in the industrial and commercial sectors, and sustained expansion in residential housing development, especially in new housing schemes.



3.8 Last year also proved to be another year of strong growth in the services sector. Transport and communication grew by 9.9 percent, with communication continuing to grow albeit somewhat more moderately than in the previous year, while transportation increased given higher levels of activity and interaction between coastal and interior regions. The distribution sector grew by 11.8 percent, reflecting both increased domestic agricultural output and imported consumer and intermediate goods. Financial services returned continued strong performance, growing by 12 percent, while rental of dwellings grew by 4.5 percent, other services by 7 percent, and the government sector by 1 percent.

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

3.9 Mr. Speaker, at end 2008, the balance of payments reflected an overall surplus of US\$7 million, a modest improvement from the deficit of US\$1.4 million recorded in 2007.

3.10 The current account deteriorated primarily on account of higher import prices, especially for fuel in the first half of the year. This outweighed the combined strong performances of export earnings and higher current transfers, and resulted in a current account deficit of US\$299.1 million, as against US\$189.1 million recorded in 2007.

3.11 Export earnings increased by 14.4 percent to US\$798.4 million, primarily reflecting the favourable conditions that obtained in the world market for primary commodities for much of the year. Gold export earnings increased by 28.8 percent to US\$203.7 million as a result of increased volumes and strong prices. Bauxite exports increased by 29.2 percent to US\$131.1 million, notwithstanding the tapering of prices and volumes in later months. Rice exports also increased significantly, by 56.9 percent to US\$118 million, reflecting favourable price conditions. Export receipts from sugar, on the other hand, suffered an 11.2 percent decline to US\$133.4 million, on account of the lower volumes shipped and the impact of the second step of European price cuts.

3.12 At the same time, merchandise imports increased by 22.3 percent to US\$1,300.2 million. This was driven primarily by a 42.7 percent increase in the value of imported fuel and lubricants. This result also reflected an 18.3 percent increase in imports of non-fuel

intermediate goods, a 17.2 percent increase in consumption goods, and a 9.1 percent increase in capital goods.

3.13 Net current transfers expanded by 14.7 percent to US\$328.8 million. While worker remittances declined marginally by 1.7 percent, there were higher inflows in the form of in-kind transfers.

3.14 The capital account recorded a surplus of US\$305.7 million compared with US\$168.7 million in 2007. This outturn was due to a 78 percent increase in disbursements to the non-financial public sector totalling US\$186.6 million at the end of 2008. In addition, net private investment expanded to US\$179.1 million, and was concentrated primarily in the mining and telecommunications sectors.

3.15 The improvement in the capital account outweighed the deterioration in the current account, and the Bank of Guyana increased its external reserves position to US\$355.9 million compared with US\$312.5 million at the end of the previous year.

## **D. Monetary Developments**

3.16 Monetary policy continued to focus on maintaining price and exchange rate stability and promoting private sector credit. Net domestic credit by the banking system increased by 33 percent to \$59.8 billion. This outturn was the result of significant expansion in credit to the private sector, which grew by 21.8 percent to \$89.3 billion. Private sector credit increased in most sectors, with mining growing by 103.5 percent, rice milling by 83.3 percent, distribution by 32.9 percent, agriculture by 31.8 percent, and other services by 23.3 percent, but credit to other manufacturing contracted by 3 percent. Furthermore, lending for real estate mortgages grew by 33.6 percent, and to the personal household sector by 13.1 percent.

## **E. Prices and Income**

### **a. Inflation Rate**

3.17 Mr. Speaker, as I have already indicated, 2008 was a tumultuous year with respect to the movement of commodity prices on the world market. Our Government took a number of active steps to contain any adverse effects that these global developments might have on the domestic economy. As a result of these interventions, the domestic economy remained relatively insulated from the global upheavals. The inflation rate at the end of 2008 was 6.4 percent, considerably lower than the 14 percent recorded in 2007, which was itself an extraordinary year with respect to imported price movement. This year's result was primarily on account of the dramatic reduction in fuel prices in the latter months of the year, and the levelling and, in some cases, reversal observed in other prices also in the second half of the year.

3.18 In the case of fuel products, during the earlier months of the year, Government's reduction of the excise tax on fuel products successfully moderated the price movement for these products in the domestic market relative to the world market. This measure was implemented at a cost of \$4.2 billion. In the later months, as the world market price eased, judicious measures by Government ensured that the price at the domestic pump declined dramatically. By the end of 2008, gasoline was being retailed at \$555 per gallon, a 30.6 percent decline from the price at the end of 2007 and the lowest level since April 2004. Kerosene was being retailed at \$477 per gallon, a 32.7 percent decline from the previous year and the lowest level since March 2005. In the case of diesel, the world market price for this product declined somewhat more slowly than for other refined products. Nevertheless, at the end of 2008, diesel was being retailed domestically at \$696 per gallon an 11 percent decline from the price at the end of the previous year and the lowest level since August 2007. Government retained a concessional rate of excise tax on diesel and no taxation on kerosene at the end of the year.

3.19 In like manner, a proactive approach was adopted with respect to food prices. Recognising the threat of world market prices for certain food commodities, Government maintained an extensive list of zero-rated basic food items for the purposes of the value-added tax and, indeed, extended this list further early in the year. Among the items added to the list in 2008 were wheat and wheaten flour, paddy, and hatching eggs, to help contain the price of basic dietary staples. Government also directly intervened in the market for certain

food items during the year. For example, a programme of providing cash transfers to the flour mill to contain the price of flour sold to bakeries and a programme of purchasing and reselling flour at subsidised prices to households were implemented, at a combined cost of \$117.3 million. Similar interventions were introduced with respect to purchase and resale of rice and sugar. In addition, the nationwide Grow More campaign had demonstrable success and contributed to increased supply and contained prices in the domestic market.

3.20 Furthermore, Government continued to ensure that the utilities in the public sector were managed in such a manner as to ensure minimum pass through of increased operating cost to the consumer. Principal amongst these was a cash subsidy of \$3.3 billion given to the Guyana Power and Light Inc. (GPL) to enable that company to continue operations, and a capital transfer of \$5.9 billion for the company to invest in capital expenditure, without further increases in tariffs to the consumer.

b. Interest Rate

3.21 Commercial bank interest rates trended downwards, with the small savings rate falling by 9 basis points to 3.06 percent and the weighted average lending rate falling by 5 basis points to 12.35 percent, reflecting the high levels of surplus liquidity in the banking system. The spread between the small savings rate and the prime lending rate also contracted to 11.48 percentage points from 11.56 percentage points in 2007.

c. Exchange Rate

3.22 Trading increased on the foreign exchange market, with foreign currency transactions totalling US\$4.8 billion in 2008, a 21.2 percent increase over the previous year. The market benefited from increased inflows in the form of export receipts and higher current transfers, while outflows were affected by the rising value of imports. On balance, market supply remained adequate throughout the year, and the rate floated steadily.

d. Developments in Wages

3.23 Mr. Speaker, as I indicated last year, our Government continues to believe firmly that multi-year agreements are the most effective means through which predictability and timeliness in adjustment to wages and salaries can be assured. In this regard, teachers benefited in 2008 from the third year of the historic five-year agreement that was concluded with Government in 2006. Under this agreement, they received a 5 percent across the board salary increase with effect from January 1<sup>st</sup>, 2008. Members of the disciplined services also received a similar increase at the same time. In May 2008, partly in response to price developments at the time, Government extended this 5 percent increase to all Government employees and pensioners, retroactive to January 1<sup>st</sup> 2008.

3.24 In addition, with a greater focus on the more vulnerable of our employees, a temporary cost of living adjustment was announced by Government in May 2008, comprising a monthly payment of \$4,000 to employees of the public, teaching and disciplined services whose monthly salaries were below \$50,000, with the intention to effect this payment from the months of May to December and to review this intervention at the end of the year.

3.25 Subsequently, in December 2008, Government granted approval for the temporary cost of living adjustment to be incorporated into the basic salaries of the beneficiaries going forward, and for those employees of the public, teaching and disciplined services who were not in receipt of the temporary cost of living adjustment because their gross pay was above \$50,000 to receive a further 5 percent increase with effect from May 1<sup>st</sup>, 2008.

3.26 Consequently, the gross pay of public servants, teachers and members of the disciplined services was effectively increased by percentages ranging between 10 and 24.1 percent during 2008, with employees on the lower salary scales benefiting from higher rates of increase.

## **F. Fiscal Position**

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

3.27 Mr. Speaker, the deficit of the non-financial public sector amounted to \$18.5 billion in 2008, equivalent to 7.9 percent of gross domestic product, as against 7.5 percent in 2007.

b. Central Government

3.28 Current revenue of the Central Government, net of rice levy, increased by 2.6 percent to \$82.5 billion. Tax collections by the Guyana Revenue Authority (GRA) totalled \$79.1 billion, representing 95.9 percent of total current revenue, a decline from the 96.3 percent recorded in 2007. Internal Revenue collections amounted to \$34.5 billion, a 6.4 percent increase. This reflected continued strong private sector performance, with increases of 11.8 percent and 32.1 percent in collections from private sector corporation tax and self-employed income tax, respectively. Actual collections of value-added and excise taxes amounted to \$37.1 billion, a 1.1 percent increase over 2007 levels, but a shortfall of approximately 10.4 percent relative to the budgeted amount for 2008. This outturn is primarily attributed to lower excise tax collections on petroleum products as a result of Government's reduction of the fuel tax rates. Customs and trade tax collections amounted to \$7.5 billion, an 8.5 percent decline. This resulted from the fact that the 2007 collections had included residual consumption taxes which were no longer available in 2008, and which offset the increase recorded in import duties. Non-tax revenue increased by 11.5 percent, on account of higher transfers of Bank of Guyana net income which outweighed reduced dividend collections from equity holdings.

3.29 Total expenditure amounted to \$114.5 billion, an increase of 6.5 percent over 2007 levels. This outturn is primarily attributed to non-interest current expenditure, which increased by 22.4 percent to \$71.5 billion, driven mainly by the several interventions made by Government to alleviate the impact of high fuel and food prices that prevailed during the earlier months of the year. In addition to the \$3.3 billion subsidy to GPL and the \$117.3 million intervention to contain flour prices, that have already been mentioned, old age pensions and public assistance payments also increased by \$1.4 billion to \$3.5 billion. In addition, expenditure on personal emoluments increased by \$1.9 billion.

3.30 Interest payments increased by 5.7 percent to \$6.5 billion reflecting higher external interest payments given that 2007 benefited from the implementation of the Inter-American Development Bank's Multilateral Debt Relief Initiative, the effect of which outweighed the reduction in domestic interest payments

3.31 Capital expenditure amounted to \$36.4 billion, 15.1 percent below the 2007 level. This was primarily the result of a number of foreign-funded projects coming to an end during 2007, challenges encountered in the commencement of some new projects in 2008, coupled with lower levels of expenditure on projects such as the Skeldon factory.

3.32 Total grants amounted to \$16.6 billion, 48.6 percent above the level of 2007, primarily on account of higher levels of disbursement of non-project grants.

c. Public Enterprises

3.33 The consolidated operations of the public enterprises deteriorated to an overall deficit of \$3.6 billion as compared with a \$330.9 million deficit in 2007. The main contributor to this underperformance was Guysuco, which registered a deficit of \$5.8 billion, \$4.9 billion more than in 2007. Guysuco's total current receipts suffered a \$3.1 billion decline, coupled with increased cost of materials and supplies, increased cost of freight, and a higher wage bill. On the other hand, GPL's overall balance improved to a deficit of \$76 million as compared to a \$1.2 billion deficit in 2007, aided by the subsidy provided by Central Government and lower fuel prices in the second half of the year.

**G. Debt Management**

3.34 Mr. Speaker, the stock of external debt grew by 16 percent in 2008 to US\$833.7 million, reflecting disbursements under multilateral projects in execution along with bilateral disbursements, and debt service payments increased by 11 percent to US\$21 million. Meanwhile, efforts continue to secure and conclude debt relief arrangements with all of our bilateral and remaining commercial creditors on terms comparable to those obtained from the Paris Club. In this regard, a debt cancellation agreement was concluded with Venezuela

who wrote off 100 percent of outstanding debt owed by Guyana, to tune of US\$12.5 million, and discussions are progressing with our other creditors.

3.35 Guyana has continued to maintain a prudent debt management strategy and has taken considerable steps to strengthen public debt management, including formulation of a national debt and new financing strategy along with ongoing capacity building initiatives. However, we remain a country that is moderately at risk of debt distress arising from our vulnerability to exogenous shocks such as from commodity price movements, a situation that is compounded by declining concessional resources from our traditional development partners. The Government will continue to mobilise external and domestic debt in a manner that provides the best quality funding for poverty reduction and economic development, while ensuring the long-term sustainability of our domestic and external debt profile.

## **H. Public Sector Highlights**

1. Infrastructure Expansion and Modernisation
  - a. Roads and Bridges

3.36 Mr. Speaker, amounts totalling \$6 billion were expended in 2008 on road and bridge construction, rehabilitation and maintenance. Key highlights included:

- Completion of Lot 1 and commencement of Lot 2 of the New Amsterdam to Moleson Creek Road, at a cost of \$1.9 billion;
- Construction, rehabilitation and maintenance of urban, rural and hinterland roads in all ten regions of the country, at a cost of \$1.7 billion;
- Procurement of four fixed scales to be installed and operationalised at key approaches to safeguard the structural integrity of our bridges and roads; and
- Acquisition of 2,000 deck units and other components for the Demerara Harbour Bridge.



3.37 Mr. Speaker, key achievements were also recorded in infrastructural development through strategic partnerships. Firstly, the Berbice River Bridge was completed at a total cost of US\$40 million, funded through a public private partnership. This historic venture represents the first time that private financing was mobilised to fund public infrastructure in Guyana. It is a major national achievement given the critical infrastructure gap that has been filled. It is also a major achievement given that the entire financing transaction was structured and executed domestically. In addition, through collaboration and partnership with our neighbours to the south, the Takutu Bridge has been completed and work is progressing on the approach roads. Together, the Takutu Bridge, the Berbice River Bridge, and the Canawaima Ferry combine to advance substantially our transport infrastructure interconnectivity with our mainland neighbours, further strengthen our continental integration process, and open new economic opportunities.

b. Air and River Transport

3.38 In the area of air and river transport, key achievements included:

- Provision of an allocation of \$328 million to the Cheddi Jagan International Airport Corporation to finance rehabilitation of the international apron and taxiway, and upgrading of the electrical system;
- Rehabilitation of wharves at Parika, Georgetown and New Amsterdam, and docking of M.V. Lady North Cote, Barima and Kimbia, and M.L. Thompson and Steve 'N', thereby improving ferry services and facilitating dredging of main navigational channels; and
- Rehabilitation and maintenance of 36 coastal and hinterland airstrips.

c. Sea and River Defence

3.39 An amount of \$2.6 billion was expended on reinforcing sea and river defence structures to prevent flooding and overtopping, with 5.1 kilometres of rip rap sea defence works being completed along the coastline and over 2 kilometres of erosion prevention works being done, along with routine maintenance in all the coastal regions and Region 10,

including boulder sloping and revetment works. Meanwhile, a national sector policy for sea and river defence was drafted, and a pilot project for mangrove cultivation and management is ongoing.

d. Drainage and Irrigation

3.40 Approximately \$3.8 billion was expended to construct, rehabilitate and maintain drainage and irrigation structures, excavate canals, and rehabilitate and purchase additional equipment, including a super long boom excavator and mobile pumps which served to deepen drainage channels, raise embankments, and empolder farmlands in several flood prone areas.

e. Power Supply and Distribution

3.41 A total of \$6.7 billion was spent on expanding and upgrading power generation and distribution capabilities. Key activities included:

- Committing an amount of \$5.9 billion to procure a new 20.7 megawatt power plant to be located in Kingston;
- Extension and upgrading of the distribution network in both coastal and hinterland regions with 6,400 new customers connected and 25,000 meters procured, from which 8,000 defective meters were replaced to reduce losses;
- Procurement and installation of over 300 solar systems in several hinterland communities in Regions 1, 2, 8 and 10;
- Completion of distribution networks at Orealla and Siparuta; and
- Preparation and approval of a medium term development and expansion plan, which included strategic interventions to advance technical and commercial loss reduction.

f. Agriculture

3.42 Mr. Speaker, as I have already indicated, 2008 was a challenging year for the sugar industry. Nevertheless, progress was recorded on a number of initiatives aimed at raising the industry's competitiveness. These include:

- Advancing work on the Skeldon sugar factory and commencing tests on the facility;
- Acquisition of 5 mechanised cane harvesters and 32 bell loaders for deployment across the industry;
- Completion of designs and launching of tenders for the construction of a new packaging plant to be located at Enmore; and
- Initiation of a process of organisational restructuring.

3.43 In the rice sector, a number of achievements were recorded in support of ensuring that the strong performance of the sector is sustained. These included:

- Increasing the number of farmer field schools and the number of farmers receiving training;
- Testing 22 new rice varieties, with 2 expected to be released later this year;
- Provision of financial support totalling \$650 million to 94 farmers and agricultural entities to procure agricultural inputs and equipment to support increased production; and
- Commencement of operations of a new seed facility in Black Bush Polder.

3.44 In addition, a comprehensive and ambitious agriculture export diversification programme commenced in 2008. Highlights included:

- Distribution of planting material and breeding stock, and enhancement of extension services countrywide;
- Construction of 9 seedling houses in Regions 2, 3, 4, 6, 7 and 10, with shadehouse and greenhouse technology aimed at protecting vegetables from excess humidity and high solar radiation to enhance year long production, and training of over 200 persons in the use of this technology;

- Construction of a semi-intensive tilapia hatchery which produced 10,000 fingerlings for tilapia farmers; and
- Training of 178 persons in beekeeping practices and techniques.

## 2. Social Sector

### a. Education

3.45 A total of \$18.5 billion was expended in the education sector in 2008. Activities included:

- Finalising of the new Education Strategic Plan for 2009 to 2013, and advancing the drafting of the new Education Act;
- Expending over \$1.8 billion towards the construction, rehabilitation and maintenance of schools countrywide and upgrading of other education facilities, including teachers' quarters, sanitary blocks, dormitories and fencing of compounds;
- Upgrading the facilities and financing the operations of the University of Guyana at a total cost of \$643 million, in addition to \$450 million provided to finance student loans, and the cost associated with the removal of asbestos from campus buildings which was completed at Turkeyen campus during 2008;
- Expansion of literacy and numeracy programmes to include grade 3 of primary schools, with the preparation of teachers' modules and workbooks and continuation of the Interactive Radio Instruction Programme; and
- Adding 525 trained teachers to the formal education system, representing every region of Guyana and, for the very first time, the graduating batch included 27 teachers trained on site in Region 9. In addition, the in-service distance mode teacher training programme has given rise to increased enrolment of hinterland teachers, who currently number 218 in training, the largest batch ever.

### b. Health

3.46 Expenditure in the health sector amounted to \$11 billion. Key achievements included:

- Completion of the Lethem hospital building, with medical equipment currently being installed, and works were advanced at the Mabaruma hospital;
- Completion and bringing into operation the comprehensive diagnostic and treatment centres at Suddie, Leonora, and Mahaicony. These centres service the entire Essequibo Coast and Islands, West Demerara, and West Berbice and, since their opening, have already received over 120,000 patient visits, conducted 42,000 laboratory tests and 500 surgeries;
- Increasing the scale of services offered by the main referral hospital, Georgetown Public Hospital Corporation (GPHC), including in such areas as cardiac surgery, hip replacement, and cancer treatment, and successfully conducting the first ever kidney transplant surgery in Guyana; and
- In the area of training, 5 doctors graduated from the general surgical postgraduate programme, 64 trainee doctors returned from Cuba to complete their internship, 19 nurses graduated with a Bachelor's Degree in Nursing from the University of Guyana, and 250 nurses graduated from the Government training programme for nurses. These medical professionals have been deployed across the public health care system countrywide.

c. Housing, Water and Sanitation

3.47 Amounts totalling \$1.3 billion were expended on infrastructural works targeted to service 2,965 houselots in housing schemes such as Cummings Lodge, Onderneeming, Plantation Goedverwagting, Farm, Hope/Lowlands, Speightland, Westminster and Bath. Additionally, 2,366 lots have been allocated and 2,434 land titles processed this year.

3.48 A total of \$2.5 billion was expended in the water and sanitation sector. This amount was spent to commence construction of wells and water treatment plants at Lima, Vergenoegen and Cotton Tree, iron removal plants at Ruimveldt and Sophia, complete the

sewage treatment plant at Tucville, and expand and improve water distribution networks at various coastal, inland, and hinterland locations.

d. Other Targeted Interventions

3.49 Mr. Speaker, our Government continued to implement a number of initiatives aimed at groups that are especially vulnerable. In 2008, selected highlights included:

- Increasing the monthly amounts paid as old age pension and public assistance by 63 and 82 percent respectively;
- Compilation of a comprehensive database of single parents with over 28,000 registrants;
- Under the National Training Programme for Youth Empowerment (NTPYE), placement of 912 trainees in institutions across Regions 1 to 6, of which 571 graduated while 247 are still receiving training; and
- Preparation of legislation in such areas as sexual offences and protection of children, and conducting nationwide public awareness campaigns in such areas as domestic violence, sexual offences, matrimonial clauses and divorce laws.

3. Security and Justice

3.50 Recognising the need to enhance the capability and level of operations of our security agencies, a total of \$12.9 billion was expended in the security sector in 2008. Key highlights included:

- Amounts totalling \$922 million being spent to acquire equipment, such as 2 helicopters, 35 vehicles, several boats and engines for riverain locations, a baggage scanner for the Georgetown Prison, and forensic equipment;
- Improvements to the physical infrastructure utilised by our disciplined services, such as rehabilitation of police stations and living quarters, upgrading of prison facilities, construction and rehabilitation of fire stations, all at a cost of \$493 million; and

- Strengthening community policing, with \$65 million spent to resource a number of groups countrywide.

3.51 Mr. Speaker, in addition to these critical investments being made, several items of legislation were introduced by Government during 2008 to improve safety and security, and the administration of justice, in our country. These included legislation:

- Providing for mandatory police supervision of persons convicted of serious crimes after they have served their sentence;
- Introducing plea bargaining into the criminal justice system;
- Providing for punishment of the offences of hijacking and piracy;
- Requiring telecommunication service providers to maintain a system of recording and storing particulars of cellular subscribers;
- Providing for interception of communication under prescribed circumstances; and
- Improving road safety, by curbing the incidence of driving under the influence of alcohol, prohibiting the use of handheld cell phones while driving, and prohibiting loud music in public transportation.

## **I. Improving the Institutional Environment**

3.52 As I have already alluded to earlier, recent global developments have brought financial sector issues into sharp focus. In Guyana, the financial sector remained stable throughout the year. The respective regulators of the sector continued to exert strong supervision and oversight, and the sector continued to be well managed and financially sound overall. This was reflected in the strong balances of surplus liquidity in the banking system which continues to assure that availability of credit is not a constraint in the domestic economy. With respect to the reform agenda, a special select committee is currently considering new anti-money laundering legislation, and is expected to complete its work shortly. Legislation to regulate money transfer agencies has also been prepared, tabled, and referred for detailed consideration by a special select committee. Further progress has also been made in identifying amendments that may be required to the Financial Institutions Act,

and these proposed amendments are currently being considered. In addition, work commenced on the drafting of legislation to facilitate the establishment of a credit bureau.

3.53 Implementation of the national competitiveness strategy also continued, with progress made towards the completion of the study on the tax system, preparation of a plan to modernise the Deeds Registry with the aim of simplifying the procedures for business registration and incorporation, and commencement of the work to strengthen Guyana Office for Investment (GOINVEST).

3.54 In the area of tax administration, the Total Revenue Information Processing System (TRIPS) has been implemented at Internal Revenue, Customs and Trade Administration and the VAT and Excise Departments, and a single unique Taxpayer Identification Number (TIN) has been implemented. Progress has also been made to advance the decentralisation of operations, through the creation and strengthening of regional tax offices, including with the completion of the Linden Office Complex, construction of office and living quarters at Lethem, and expansion of other regional tax offices. Enforcement activities have been strengthened, including through the procurement of 3 boats, communication equipment, and protective gear, in an effort to reduce tax evasion. A plan has also been prepared to restructure the GRA along functional lines. In addition, work has commenced on identifying ways in which tax administration and taxpayer interaction with the GRA can be simplified and made more effective.

3.55 In the area of updating national statistics, the Bureau of Statistics has executed a national survey of business and economic activity and conducted detailed analysis of the data collected with the aim of rebasing the national accounts. Untimely responses by a number of survey respondents during the data collection phase caused the initial timeframe to be somewhat prolonged. The final set of revised estimates based on full submissions will permit the introduction of the new 2006-based set of national accounts later this year. At the same time, data collected during the 2006 Household Budget Survey was used to analyse consumption patterns and update the basket of goods and services on which our consumer price index is based. The new basket has been developed, technical work to identify new



weights has been advanced and, like the rebased national accounts, implementation is expected to commence later this year.

## **J. Governance**

3.56 In the area of preparations for local government elections, the existing national registers of registrants were scrapped and house-to-house registration conducted. This exercise produced the new 2008 register of registrants, and the Guyana Elections Commission (GECOM) and stakeholders are working on delivering local government elections in 2009.

3.57 In addition, this Honourable House recently enacted Constitutional amendments to facilitate the establishment of a new Parliamentary Committee on security. This major development follows the national stakeholder dialogue that Government convened following the tragic events in Lusignan and Bartica early last year. This dialogue saw Government engaging in an exchange of views and information with labour, religious bodies and the private sector in four sessions on crime and security. The recent establishment of the Committee by Constitutional amendment will result in increased oversight of the disciplined forces and benefit from input in the area of policy and administration as we continue to reform the sector.

## **4. The Agenda for 2009**

### **A. Macroeconomic Framework**

4.1 Mr. Speaker, the need for macroeconomic stability to be closely protected is now more evident than ever before. Our Government remains firmly focused on a policy mix that will see the maintenance of macroeconomic stability in the immediate and medium term. In this regard, the budget is cast in a macroeconomic framework that is characterised by positive but modest growth given the prevailing global conditions, a fiscal deficit that is consistent with medium term sustainability but that ensures that critical Government programmes and investments are maintained and increased where necessary, and the preservation of price stability and a sustainable external position.

### **B. Restructuring the Economy**

4.2 Mr. Speaker, our agenda for advancing the transformation of our economy includes policies and investments aimed at continuing the restructuring of our economy, both in terms of modernising the traditional productive sectors and in promoting the development of new and emerging sectors. In this regard, I will now describe some of the main initiatives to be implemented in 2009.

#### **a. Modernising the Traditional Sectors**

4.3 Mr. Speaker, the challenges facing the sugar industry are well known and have generated much debate and analysis in recent months. The industry has to raise its production levels and, at the same time, reduce its production costs in line with a medium term path that will secure its financial viability, if its survival into the long term is to be assured. As indicated earlier, Government has initiated organisational change by appointing an interim Board of Directors and mandating it to prepare a turnaround plan. This plan is expected to provide for, among other things, improving cane production, reviewing cost saving initiatives, reducing wastage and other losses, accelerating mechanisation, increasing production and sale of value-added products, and rationalising of assets. The industry is

expected to accelerate field replanting and increase cane cultivation, including by providing additional technical support to private cane farmers at Skeldon. Furthermore, the Skeldon factory is now expected to be fully operational by the middle of the year, and is targeted to reach production levels of 110,000 tonnes of sugar within 3 years. This facility will also continue to supply electricity to the national grid through 2009, providing an additional stream of revenue to the company. Funds totalling \$1.2 billion are provided in this year's budget to commence construction of the Enmore packaging plant to supplement the packaging facility at Blairmont, and a prospectus to solicit private sector investment in a sugar refinery will be prepared and launched. In addition, in the interest of ensuring that Guysuco's capital investment programme is adequately financed going forward, Government has granted approval for a total of US\$24 million of principal and interest payments to be deferred, which would otherwise have become payable by Guysuco during the next three years under the Skeldon onlending agreements. This initiative is especially necessary given the impact of the third step of cuts in the European price for our sugar, which takes effect later this year.

4.4 In the rice sector, efforts this year will focus on sustaining cultivation levels, improving seed quality and availability, introducing new and more resilient varieties, and improving efficiency in the paddy trade. To this end, a new seed facility is expected to be constructed at No. 56 Village aimed at decentralising seed production from Burma and facilitating easier access to improved seed stock by farmers. Over \$40 million will be invested at the Burma complex to procure laboratory and specialised equipment in order to improve the diagnostic capabilities of the industry. A concerted training programme for over 1,500 farmers will be conducted countrywide, and 2 new and improved varieties of rice will be launched. In addition, Government will be examining ways in which greater fairness and efficiency can be achieved in the trading of paddy to minimise the difficulties which arise from late payment by millers to farmers.

4.5 The third main traditional pillar of the Guyanese economy, bauxite, faced a dramatic reversal of fortune towards the end of 2008, and the prevailing external conditions are expected to linger for some time. As a result, greater efforts would be required if the planned expansion for this industry is to materialise. Government remains firmly committed to

continued close engagement with the two major operators in the local bauxite industry in the interest of protecting the viability of their anticipated investments and in realising these projects.

b. New and Emerging Sectors

4.6 Mr. Speaker, we continue to focus on the diversification of our economy in order to ensure that it is made even more resilient. This diversification is being pursued on several fronts. In the area of agriculture, several emerging subsectors continue to show tremendous prospect for investment and growth, including fruits and vegetables, livestock and aquaculture. Other areas include tourism, manufacturing and industry, small businesses, telecommunications, alternative energy, and oil exploration.

4.7 In 2009, a sum of \$1.1 billion is allocated to boost the expansion and development of our non-traditional agricultural subsectors, with special emphasis on institutional strengthening, training, research and development, and increasing levels of production. The Agriculture Export Diversification Programme will provide institutional support to the National Dairy Development Programme (NDDP) and the National Agricultural Research Institute (NARI), including through the construction of new laboratories at NDDP and rehabilitation of the seed facility at NARI. Also under this programme, the working groups for the three identified agribusiness clusters, namely, fruits and vegetables, livestock, and aquaculture, will advance the development of these subsectors. Complementing these initiatives is the recently launched US\$6.9 million Rural Enterprise and Agricultural Development programme. This project will target primarily non-traditional farmers and non-agriculture rural based households in empowering the poor and increasing their access to income earning opportunities. With a budget allocation of \$257 million this year, the project will be tasked with conducting training and research, market identification, improving packaging of agriculture products, feasibility studies for selected agricultural products, will establish business facilitation centres in Regions 2, 3, 4, 5, 6 and 10, and will provide advice directly to small farmers.

4.8 In addition, as the Government moves to ensure that modern technologies are introduced in the agricultural sector, NARI continues to conduct research and provide technical support to the sector. In its efforts to expand the livestock and fishing industry, focus will be placed on the establishment of more farms and training in fish farming techniques thereby enabling higher yields. The swine multiplication programme will realise a targeted 3,000 swine for market distribution and another 400 swine for the multiplication programme countrywide. The sector will also benefit from the increasing numbers of Cuban trained veterinarians who will strengthen and consolidate animal health services.

4.9 Mr. Speaker, in tourism, efforts will be made to build on the excellent international media coverage that Guyana has received in recent months particularly in relation to our spectacular endowment of nature, and to market Guyana as a preferred destination. In addition, Government will continue to work closely with airline operators to ensure maintenance and expansion, where possible, of the routes and seat volumes that are offered to connect Guyana with the rest of the world, and to promote optimal competition in the sector. Indeed, this effort manifested itself last year in the commencement of a direct service between Georgetown and New York by Delta Airlines, and the introduction of an additional route between Georgetown and Fort Lauderdale by Caribbean Airlines.

4.10 Mr. Speaker, our Government will continue to provide infrastructural support to encourage industrial development. In this regard, a sum of \$500 million is allocated for the upgrading of the Belvedere industrial estate, the expansion of Eccles industrial estate, and the development of the Lethem industrial estate. These estates have the potential to accommodate a range of investment in areas such as food processing, furniture making, canning and bottling, and garment manufacturing. Government will continue to work with existing and potential occupants of plots within these estates with a view to increasing occupancy and accelerating and expanding productive use of the plots allocated.

4.11 In addition to the development of the Lethem industrial estate, given the completion and imminent opening of the Takutu Bridge, special emphasis will be placed on developing the Lethem area. To this end, the Lethem land use plan will be the subject of extensive consultation during 2009. Further, the completion of the multi-purpose complex at Lethem,

which will house immigration, customs, health, police, truck scales and drive-through baths to control foot and mouth disease, will serve as a port authority to provide added security and control at the border given the expected increased flow of traffic into and through the Lethem area.

4.12 Mr. Speaker, this Government continues to believe that small businesses have an extremely important role to play in reducing poverty, generating incomes, improving livelihoods, and promoting entrepreneurship. In this regard, work will continue through the National Competitiveness Strategy to advance small business development. In addition, the budget includes a number of initiatives that lend themselves to the promotion of small businesses, including provisions totalling \$291 million to construct and expand market places in several coastal villages.

4.13 Mr. Speaker, this Government remains of the firm view that a modern and competitive telecommunications sector would generate vast economic opportunities. To this end, negotiations have commenced with the monopoly operator. To facilitate the transition to a competitive environment, work has already commenced on drafting the new legislative and regulatory framework. In addition, increased international connectivity through the presence of additional fibre optic cables connecting to the rest of the world will promote the growth of entrepreneurial activities utilising telecommunications infrastructure and services. This Government, therefore, encourages the establishing of such international connectivity particularly through the landing of international fibre optic cable. One such venture was announced by the Guyana Telephone and Telegraph Inc. (GT&T) in December 2008, and we are already in receipt of other expressions of interest in landing international fibre optic cable in Guyana in 2009. We have also embarked on efforts to encourage e-Government, e-learning and other related applications through the creation of a national network consistent with the National ICT4D Strategy. Efforts to ensure that electronic transactions are facilitated as well as regulated are underway including through work on draft legislation concerning electronic transactions, which will be completed in 2009. This year, Government is also pursuing an initiative to develop a technology park, for which an allocation of \$800 million has been provided, in order to foster the development of technology based companies.

4.14 We will also continue to pursue private investment in alternative energy in the areas of biofuels, hydropower, and solar power. In the area of biofuels, the Government has allocated \$60 million towards the identification and evaluation of viable investment opportunities, and we will continue to work with investors interested in ethanol production to facilitate private investment in this subsector. In the area of hydropower, negotiations are ongoing with the investors and progress is expected to be made later this year towards concluding the financing of the project.

4.15 Mr. Speaker, petroleum exploration has resumed and seismic assessments are being conducted on the offshore concessions, while interest also continues in the near onshore locations from the Corentyne to Mahaica, and in the Rupununi basin. In addition, in relation to non-traditional minerals, seismic surveys have indicated that prospecting for uranium is hopeful and may hold potential in the future. Government will continue to facilitate and promote the activities of this sector, with a view to successful exploration and timely advancement into production.

### **C. Physical Infrastructure for Transformation**

4.16 Mr. Speaker, adequate infrastructure is a prerequisite to ensure that our people are connected, investments are attracted, and development is advanced. In this regard, emphasis will continue to be placed on expanding our physical infrastructure, along with rehabilitation and maintenance of the existing stock.

#### **a. Roads and bridges**

4.17 The Government has allocated in 2009 over \$7 billion to improve our country's roads and bridges network, with approximately \$5 billion earmarked for roads and over \$2 billion for bridges.

4.18 A sum of \$1.8 billion is allocated for the New Amsterdam to Moleson Creek Road which will see the completion of 86 kilometres of roadway in Berbice during 2009. A sum of

\$880 million is also budgeted to complete the approach access roads to the Berbice River Bridge. These roads, together with the Berbice River Bridge, will join with the newly rehabilitated corridors from Rosignol to Georgetown to Timehri, and on the West Bank and West Coast of Demerara, to allow for seamless travel from Moleson Creek to Timehri and over the Demerara River to Parika.

4.19 In this regard, as part of the ongoing rehabilitation of the Demerara Harbour Bridge, an amount of \$749 million has been budgeted this year, to supplement funds previously allocated, for the acquisition of deck units and other components all aimed at improving the riding surface of the bridge and enhance its durability.

4.20 During this year, the design for the reconstruction of 35 kilometres of roads at Black Bush Polder will be completed, and works will commence by the end of the year. In addition, the rehabilitation of 25 critical structures along the Timehri/Rosignol Corridor, including locations such as Friendship, Buxton and Abary, coupled with the widening of road shoulders, improving traffic lighting at selected areas on the East Bank Demerara, installation of street lights from Providence to Timehri, widening of intersections to create additional turning lanes, and road striping and marking, are programmed to commence in 2009, and will all result in enhanced road safety.

4.21 Interlinking access to, and improving mobility within, our regions is essential to our development. In 2009, \$1.7 billion has been allocated to rehabilitate and maintain urban, rural and hinterland roads across the country. This will ensure reduced travel time and increased access between farms and markets.

4.22 Mr. Speaker a sum of \$125 million is budgeted to complete the feasibility study towards the construction of a highway from Linden to Lethem. This is a major infrastructural project, and requires detailed and careful study. Upon implementation, this road would ensure easy accessibility to remote locations as well as reduce the cost of transportation of people and goods to and from the coastland, and would redound to the benefit of all Guyanese.



b. Air and River Transport

4.23 The Guyana Civil Aviation Authority will benefit from a sum of \$30 million to further modernise air traffic control equipment, in addition to the \$780 million previously earmarked for this purpose. This equipment is necessary for safe aircraft operations as required by the International Civil Aviation Organisation. A further \$120 million has been allocated for an aircraft rescue and fire fighting vehicle for the Cheddi Jagan International Airport, also with the aim of reinforcing safety and response capabilities.

4.24 In addition, an amount of \$184 million is budgeted for the construction of new airstrips at Wakenaam and Leguan, rehabilitation of the Mahdia Airstrip, and maintenance of domestic aerodromes, to expand and enhance the facilities for faster domestic travel and ensure safety of all those using these facilities.

4.25 Under another strategic public private partnership, work will commence this year on the extension of the Ogle Airport runway, and essential navigation and other equipment procured, to enable the airport to accommodate regional flights and thereby improve connectivity from this location.

4.26 Government also remains committed to reducing the travel time on our rivers. The modification and extension of the Parika and Supenaam Stellings to facilitate the mooring of the roll-on roll-off ferries will be executed in 2009. This along with rehabilitation of the Moleson Creek and Wakenaam stellings and Goods Wharf will benefit from an allocation of \$184 million. Also in 2009, \$396 million is budgeted to upgrade maritime infrastructure, which includes docking of ferry vessels M.B. Sandaka, M.T. Aruka and M.V. Makouria, dredging of rivers, acquisition of spares, and purchase of navigational aids.

c. Sea and River Defence

4.27 Government intends to continue executing major infrastructural works throughout the country with a view to sustaining the economic livelihood of our citizens who are most vulnerable to flooding. A budget allocation of \$2.2 billion has been provided to continue

construction, rehabilitation, restoration and maintenance of the sea and river defence structures in coastal regions and Regions 7 and 9. In addition, mangrove regeneration pilot projects will continue as part of the shorezone management programme.

d. Drainage and Irrigation

4.28 Mr. Speaker, as recent events have reminded us, our agriculture sector which is so critical to the economy of our country remains vulnerable to increased levels and erratic patterns of rainfall. While a permanent solution to the challenges of water management in these circumstances might be beyond our fiscal constraints at this time, the need for more effective solutions is evident and urgent.

4.29 In recognition of this need, our Government has prepared a recovery plan for the East Demerara Water Conservancy (EDWC) to increase the storage capacity, efficiency of drainage, and structural integrity of the conservancy. This year's budget has allocated \$2 billion for the construction of a new outlet which will serve as an alternative opening for the drainage of the conservancy. This intervention would see a canal being dug from the EDWC through the Hope area, and two control sluices constructed at the inlet and outlet into the Atlantic. This will serve to enhance the operation and flood control capacity of the EDWC during excessive rainfall thereby reducing flooding and ultimately protecting crops and property within flood prone areas such as Mahaica-Mahaicony-Abary. In addition, \$1.2 billion will be spent on the purchase of drainage and irrigation equipment, including excavators, generators, portable pumps, pontoons, and hydrologic monitoring equipment.

4.30 In total, some \$7.9 billion will be spent on construction, rehabilitation, and maintenance of drainage and irrigation structures in 2009 throughout the flood prone areas of this country.

e. Hydrometeorology

4.31 Relatedly, our ability to monitor, understand, and predict weather patterns is a critical element in our preparedness to deal with climate change and the ravages of rainfall induced

flooding. Ongoing efforts to strengthen our hydrometeorological capabilities will therefore be augmented by this year's allocation of \$247.7 million to the hydrometeorological programme, of which \$70 million will be used to complete the installation of the Doppler radar system, and another \$10.5 million has been allocated for further specialised training required to effectively utilise the radar.

f. Power Generation and Supply

4.32 Mr. Speaker, the availability of a reliable and affordable supply of electricity continues to be an important objective of our infrastructure agenda. In this regard, in the immediate term, we will continue to modernise and upgrade the generation capability of GPL, including by switching to more efficient fuels. In addition, we will accelerate our loss reduction programme. Finally, as indicated earlier, we will continue assiduous efforts to facilitate the development of alternative sources of energy generation in the medium term to secure our energy requirements.

4.33 During 2009, GPL will increase its generating capacity by 20.7 megawatts, reduce production costs in light of the resultant reduction in dependence on diesel and increased use of heavy fuel oil, rehabilitate the Canefield station, complete the 69 KV links between Kingston and Sophia and between Skeldon and No. 53 Village and, in so doing, be better able to import all of the power available to the grid from Skeldon. GPL's aim is to reduce drastically its dependence on diesel generation from 32 percent to approximately 5 percent by the end of 2009.

4.34 In addition, we are currently in the advanced stages of designing a US\$39.6 million project to finance upgrading of substations and transmission lines. This project is expected to facilitate the construction of 110 kilometres of single circuit 69 KV overhead transmission lines and approximately 1.8 kilometre of 69 KV submarine cable, 7 new substations, and the expansion and upgrading of 2 existing substations, installation of a fibre optic network and Supervisory Control and Data Acquisition (SCADA) system for tele-metering and protection. These will serve to integrate all major load centres along the coast to permit centralised generation using cheaper heavy fuel oil and will facilitate efficient distribution of

bulk power in the future. An amount totalling \$3.3 billion is budgeted to be expended this year under this project.

4.35 Government is also programming that GPL will continue to reduce technical and commercial losses this year, with the replacement of main demand and minor meters along with the installation of prepaid meters. The use of prepaid meters has been identified as a key means to reduce losses, and the pilot project involving installation of 2,000 meters will be designed to estimate the possible benefits that would result from widespread implementation. Further, the prosecution of defaulters and removal of illegal connections will be accelerated in an effort to achieve the set loss reduction target.

4.36 Still on power generation and distribution, some \$41 million has been budgeted for the purchase of a generating set and transformer for the Lethem Power Company in order to improve the supply of electricity within their service area, while 1,000 15-watt solar panels will be distributed to households in hinterland communities. In addition, Government continues to subsidise community power in Linden, Kwakwani, and Lethem to the benefit of the respective populations, at a total cost projected at over \$2 billion in 2009. Options for reforming the electricity rates charged, and subsidies provided, in these areas will continue to be examined during the year.

#### **D. Investments in our People**

4.37 Notwithstanding the many difficult fiscal choices that confront us during this challenging time, our Government remains firmly committed to investing in the current and future well-being of the people of this country.

##### **a. Education**

4.38 Mr. Speaker, 2009 represents the first year of the updated 5 year National Education Strategic Plan which identifies as priorities, quality education, universal secondary education, technical and vocational education, inclusive education, school health and nutrition, teacher education, and the development of managerial capacity within the sector. Supervision and

monitoring of schools will also be enhanced and will include assessments on the quality of teaching, school leadership, and management adherence to the national curriculum delivery timetable. Focus will also be placed on information and communication technology in schools. Consistent with this plan, an allocation of over \$20.4 billion has been provided for the education sector with \$3.6 billion for capital projects and \$16.8 billion for operational current expenditure.

4.39 Mr. Speaker, the attainment of a higher level of functional literacy is a national concern which drives both policy makers and parents. For this reason the national literacy programme has been allocated \$251 million, in an effort to accelerate the implementation of this programme which targets poor performers in primary schools, out-of-school youth, and the general adult population.

4.40 Consistent with the national policy of achieving universal secondary education, several initiatives will be taken to ensure that every child is afforded access. To this end, a decision has been taken to introduce into 40 schools this year a general 6 year programme focusing mainly on English, including remedial reading, and Mathematics, and will cater for those children who graduate from the primary school system with inadequate literacy and numeracy skills. Further, the Basic Competency Certificate Programme will be expanded to schools and practical instruction centres, for which \$50 million has been earmarked, and which will directly improve the lives of more than 2,000 youths through the provision of life skills.

4.41 In order to ensure greater accessibility for all of our young people to alternative pathways, a stronger emphasis on technical and vocational education will be seen in 2009. This has resulted in the allocation of more than \$400 million for the construction of the 2 new technical and vocational training centres in Regions 3 and 5 which will commence later this year. These two institutions will benefit from updated training aids and equipment, while identified priority courses at 7 other technical institutions with a current enrolment of over 4,000 will benefit similarly.

4.42 Mr. Speaker, boosting both the attendance and the attentiveness of our children in schools is important if our investments in their education are to bear fruit. For this reason, \$710 million has been allocated for the national school feeding programme and will benefit 100 primary schools in Regions 1, 7, 8 and 9, where attendance has already increased between 5 to 10 percent, as well as other targeted schools in coastal regions.

4.43 The Cyril Potter College of Education (CPCE) Secondary School Academic Certificate Programme will continue in 2009, with its thrust rooted in the reduction of untrained teachers in the school system. A sum of \$160 million is programmed for editing, reviewing and printing of modules, training of staff and piloting of the modules at the five (5) CPCE in-service centres at Rose Hall, Linden, Georgetown, Anna Regina and Vreed-en-Hoop.

4.44 In excess of \$2.5 billion is budgeted for the construction, rehabilitation and maintenance of nursery, primary and secondary schools countrywide and upgrading of other education facilities. This will see the construction of 2 new nursery schools at Bath and Cumberland, 5 new primary schools at DeHoop, Tuschen, Belle West, Parfaite Harmonie and Semoni, 2 new secondary schools at Hope and No. 8 Village, and rehabilitation and maintenance being done at over 300 schools countrywide.

4.45 The University of Guyana will continue to make strides towards the improvement of the quality of tertiary education offered. In 2009, \$626 million is allocated to support the operations of the two campuses, of which \$582 million is programmed to finance recurrent operations, while \$44 million is budgeted for the upgrading of laboratory facilities, procurement of books, and furnishings. A further \$450 million has been allocated to facilitate the issuance of loans to students of both campuses. In this regard, Government has noted with concern the number of student loans that have remained unpaid several years after the beneficiaries have graduated, and we will be taking concrete steps this year to improve the rate of repayment of student loans.

b. Health

4.46 The recently updated National Health Sector Strategy for 2008-2012 aims to achieve improvements across the whole range of publicly guaranteed health services, with family health, chronic and communicable diseases, mental health, health promotion and injury prevention, being priority areas. Underpinning these priority areas is the development of human resources to fortify the delivery of services within the sector, along with the expansion of infrastructure in order to increase coverage. The Sector is budgeted to spend \$12.8 billion in 2009, with capital expenditure projected at \$3 billion and current expenditure projected at \$9.8 billion.

4.47 In 2009, Government will continue to invest heavily in the construction, expansion, rehabilitation and maintenance of numerous health buildings across the regions. Foremost amongst the planned investments are the completion and operationalising of the Linden Hospital Complex at a cost of \$481 million, and construction of the new GPHC In-Patient Facility at a cost of \$1.1 billion. In addition, amounts allocated this year include \$32.3 million to be expended towards the completion of the National Psychiatric Hospital at Fort Canje, \$18 million for the rehabilitation of the Cheddi Jagan Dental Centre, \$15 million for the construction of a new building to house the health centre at Belle West, \$5 million for the refurbishing of De Kinderen health centre, in addition to repairs to several doctors quarters.

4.48 Patient screening is expected to have commenced today at the National Ophthalmology Hospital, which will become fully operational by the end of the first quarter and boasts state of the art equipment and a 50 bed inpatient capacity. The Centre will be able to conduct about 10,000 eye surgeries yearly, including cataract, glaucoma, and retina detachment.

4.49 In 2009, training efforts will be focused on further expansion and consolidation of the human resource skills base of the health sector. This will result in the continued training of personnel at various levels, including doctors, medex, professional nurses, community health workers, pharmacy assistants, dental assistants, community dental therapists, dentex and rehabilitation practitioners. In 2009, the first cohort of 11 persons is expected to complete a dentex diploma programme, while another first will be made with the introduction of a Bachelor of Science Degree in Rehabilitation Services this year.

4.50 Government has budgeted to spend over \$2.5 billion on drugs and medical supplies in 2009. These increased supplies will be complemented by the new inventory management system to be introduced initially at Georgetown, Linden, New Amsterdam and Suddie Hospitals, and to be rolled out subsequently to all regional hospitals by the end of the year, allowing for more efficient distribution and ready availability of drugs and medical supplies.

4.51 The Basic Nutrition Programme, with an allocation of \$190 million, is expected to see the continued registration of beneficiaries, manufacturing of sprinkles, and distribution of these nutritional supplements and food voucher coupons, benefiting 20,000 persons in total. This allocation will also facilitate continued capacity building of health care workers in nutrition education and develop a 3 year nutrition strategy which will be integrated into the Maternal Child Health Programme. Complementing this programme, the national deworming exercise will be accelerated in 2009.

4.52 The mental health programme will be advanced in its new form of delivery at the community and primary care levels and will focus on the prevention and management of suicide, depression and substance abuse. This programme will see persons being trained based on international standards and who will become certified to operate programmes of this nature to tackle the issues of depression and suicide, while the substance abuse programme is expected to train 150 health workers across the country.

c. Housing, Water and Sanitation

4.53 Mr. Speaker, the overarching objectives for the housing sector in 2009 are to continue to provide access to affordable housing, increase occupancy and construction rates in existing and new housing areas, improve the quality of infrastructure in both housing schemes and squatter settlements, and provide security of tenure. To achieve these objectives, \$1.6 billion is allocated to the housing sector.

4.54 In 2009, this Government will allocate in excess of 2,000 houselots and process and distribute 2,500 land titles. Increased outreach activity will be held to encourage allottees to



occupy their houselots within the stipulated time. Moreover, Government's recently granted approval of an increase in the ceiling on mortgages by the New Building Society Ltd. (NBS) from \$8 million to \$12 million, and the accompanying reduction in interest rates, will help to facilitate access to affordable financing for home construction. Of the total amounts allocated, \$1.2 billion will be expended to advance infrastructural works, including roads, drains, and water distribution networks, in areas such as Onderneeming, Cummings Lodge, Glasgow, Belle West, and Parfaite Harmonie.

4.55 Mr. Speaker, \$3.8 billion is also allocated for the water sector, with the objectives of ensuring increased coverage and improved quality in water supply, and improved efficiency and reduced losses in the production and distribution of potable water.

4.56 The construction of two new wells to provide water to over 12,000 households at Grove/Diamond and Parfaite Harmonie will be completed. Additionally, the Central Ruimveldt and Sophia Water Treatment Plants, which will see improved quality of water supplied to over 80,000 persons within Georgetown, will be completed this year and will have the capacity to produce 12 million litres of water per day. Water treatment plants at Lima, Cotton Tree and Vergenoegen will also be completed and will result in 48,000 people benefiting from improved distribution and quality of water supplied. Expansion and improvement of water distribution networks at coastal locations and Linden will see service connection upgrades at Grove/Diamond, and Industry to Plaisance, rehabilitation of distribution networks at Sophia and Enmore, and transmission upgrade at Blue Berry Hill to Christianburg.

4.57 Mr. Speaker, Government will continue to improve access to potable water in hinterland communities. The sum of \$61 million is allocated for the provision of potable water supply systems at several interior locations, including Port Kaituma, St. Cuthbert's Mission, Morakobai, Orealla, Jawalla, Kato, and Katoonarib.

4.58 Under the Solid Waste Management programme, the Mandela landfill site continues to be operational this year, while the construction of access roads and the new landfill site at Haags Bosch is projected to commence this year. The project encompasses several

components, including development and implementation of the institutional and legal framework, development of waste management plans for Neighbourhood Democratic Councils (NDCs), and public awareness and community participation.

e. Vulnerable Groups and Other Targeted Interventions

4.59 Mr. Speaker, the task of protecting and empowering our children and young people, women, and the elderly, is critical to our development as a nation.

4.60 In addition to the targeted programmes under the health and education sectors, our Government's commitment to the protection of our children will be addressed even more directly this year. Five additional pieces of legislation are expected to be considered and passed in this Honourable House later this year. Three of these have already been tabled and have been referred to special select committees for further review, while another two will follow shortly. These Bills address the status, adoption, protection, custody, guardianship and maintenance of children, and child care and development services, and will collectively reform the legal landscape governing and protecting children in our country. In addition, this year we will be developing and launching a national foster care programme to improve the lives of orphans and vulnerable children. This comprehensive programme will include background checks, follow up measures, and appropriate supervision, all with a view to ensuring that each child is placed in a home that is in the child's best interest and welfare. It will also include operationalising of minimum standards and regulations for orphanages, preparation of a care plan for every child in an orphanage, and will promote fostering.

4.61 Our Government will continue to take active steps to improve the quality of life of our citizens who are advanced in age. To this end, we will expend over \$3.3 billion on old age pensions to over 40,000 pensioners and to pay water rates on behalf of pensioners, and also to conduct maintenance and rehabilitation at the Palms facility. In addition, the reappointment of the Commission for the Elderly later this year is expected to accompany the development of minimum standards of operation for privately-run homes for the elderly.

4.62 Increased focus will be given to the legislative framework to protect women and to empower them to earn a living, provide for their families and enjoy a better quality of life. Work is already underway to reform sexual offences legislation, and it is likely to be laid before the National Assembly this year. Following the extensive nationwide survey that was conducted and database that was compiled last year, a programme to assist single parents, who are mostly women, will be launched this year. It will include the provision of training for single parents so that they can enter the world of work or start a small business. It will also see the provision of small business project grants totalling \$25 million, and the provision of vouchers to support low-income employed single parents in meeting the cost of day care at a total cost of \$8.8 million. Greater emphasis will also be placed on incorporating entrepreneurial skills training into the life skills programme for women and, in 2009, a residential programme will recommence along with expanded training for women in hinterland communities in Regions 1, 7, 8 and 9.

4.63 Other targeted interventions for vulnerable groups include:

- Provision of over \$800 million to meet targeted public assistance programmes;
- Provision of \$106.9 million to construct a new Amerindian Hostel, which would allow for increased access to education for students from the hinterland;
- The school uniform programme under which \$55 million will be spent to benefit nearly 30,000 students;
- Provision of training to approximately 1,750 persons under the National Training Programme for Youth Empowerment (NTPYE), including a newly incorporated skills for life element; and
- Continued upgrading of youth training centres at Kuru Kuru, Smythfield, Sophia and New Opportunity Corps, catering for more than 300 of our 13 to 25 year old young people, at a cost of \$22.5 million.

## **E. Enhancing Security and Justice**

4.64 Mr. Speaker, our Government remains steadfast and vigilant in ensuring the security and well-being of our citizens. This is reflected in the \$13.6 billion allocation in this year's

budget for the security sector, sustaining a pattern of strong investment in the sector. Expenditure in the security sector in 2009 will focus on improving the physical infrastructure used by our public safety institutions and personnel, strengthening operational capability through equipment acquisition, improving personnel quality by training, strengthening community policing, and improving accountability. Special emphasis will also be placed in 2009 on strengthening the capabilities of the Guyana Fire Service, and on implementing the traffic and other security sector legislation that was passed into law recently.

4.65 This year, \$588 million is programmed to be spent on upgrading physical infrastructure in the security sector. Among the works to be done are construction of a new training facility at Eve Leary, rehabilitation of police colleges at Essequibo and Berbice, rehabilitation and extension of Brickdam lockups, rehabilitation of police stations and living quarters at Kurupung, Monkey Mountain, Aishalton, Bartica, Leonora and Turkeyen, construction of strong cells at Georgetown and New Amsterdam Prisons, rehabilitation of officers quarters, and the construction and rehabilitation of the vocational training centre and prisoners retraining area at New Amsterdam, rehabilitation of Corriverton and West Ruimveldt fire stations and construction and rehabilitation of officers' quarters at Campbellville, Timehri and Leonora fire stations.

4.66 A total of \$1 billion has been allocated for the purchase and maintenance of vehicles for the security sector. Of this amount, \$512 million will be spent on the purchase of vehicles, motor cycles, boats and outboard engines. This year, the Guyana Fire Service will be acquiring a water carrier, an aircraft rescue fire fighting vehicle, and water tenders. Included in this total is also a sum of \$264 million programmed to be spent on the rehabilitation and docking of the national flagship.

4.67 Training priorities will range from training for new recruits to leadership training for senior management, and will enable our forces to more effectively address our national security concerns. Over 400 persons will also receive specialised training in responding to serious crimes. In addition, the training and other support given to several community policing groups will serve to reinforce the safety of our neighbourhoods and the work of the

joint services. These training activities will be implemented at an estimated cost of \$150 million.

4.68 An amount of \$25 million has been allocated for community policing, mainly for the purchase of vehicles and equipment.

4.69 Work will be advanced on the implementation of an integrated crime information system which will facilitate more timely access to information for analysis of crimes, strengthen capacity to analyse patterns, incidents and problems, and augment the capacity of the Crime Observatory Unit. The results of this data compilation and analysis will be utilised to influence policy making and target setting in the various categories of security practice, and the security services will be held accountable to achieve those targets.

4.70 Mr. Speaker, over \$1.8 billion has been budgeted for the operation, modernisation and strengthening of our judicial system in 2009. In addition to continuing the upgrade of facilities, a number of initiatives will be implemented aimed at modernising justice administration and the environment in which the courts operate, with the objective of ensuring more timely dispensing of justice.

4.71 The implementation of new Civil Procedure Rules will bring into effect a process that is expected to reduce the length of time from filing to hearing of a case. These rules are currently receiving the benefit of consultations. In addition, the introduction of case management conferences will result in improved case flow. Following this, the development of a comprehensive backlog reduction plan will be done.

4.72 This year will also see the strengthening of accountability in our judicial system with the implementation of a Judicial Service Commission Act and Code of Conduct, which will include the establishment of sanction provisions, mechanisms for filing of complaints, and timeliness guidelines. In addition, a plan will be prepared to strengthen the functional and operational relationship between the Director of Public Prosecutions (DPP) and the Police Force, including a timeline for the DPP to assume responsibility for indictable cases and narcotics cases.

4.73 Mr. Speaker, another key element in the reform of the justice system is the establishment of a Family Court. This court will be established as a division within the High Court and is expected to result in more timely, sensitive and effective resolution of matters including those related to marriage and children, and will closely complement the extensive overhauling of legislation affecting children.

## **F. Climate Change**

4.74 Mr. Speaker, I have already alluded to Guyana's vulnerabilities to climate change. At the same time, Guyana makes a very substantial contribution to global efforts to mitigate climate change through the maintenance of our high forest cover and low deforestation rates. We have entered into a number of strategic partnerships aimed at developing locally relevant methodologies to assess our carbon stock and preparing us to tap into the emerging carbon markets.

4.75 Last December, Guyana launched a national policy position on avoided deforestation. This policy highlighted the need to correct the existing market failure in the global system where economic activity generated when trees are felled are highly valued while the services that forests provide when trees are kept alive go largely unrewarded. In support of this policy, a pioneering study was undertaken which assessed the true value of our forests by determining the value they provide to the nation and the world. In 2009, work will continue to develop and implement a readiness plan for reducing emissions from deforestation and degradation, and we will engage in stakeholder consultations to achieve a consensus in our position that we will take as a formal submission to the United Nations Framework Convention on Climate Change (UNFCCC) meeting in Copenhagen in December, in our efforts to strike a new post-Kyoto agreement that provides positive incentives for highly forested countries such as Guyana with low deforestation rates.

4.76 The activities of 2009 will form part of Guyana's road map to establish a new model of low carbon economic development with business opportunities for low carbon investment and expanding investments for climate change adaptation. In this regard, Guyana

can become a significant provider of environmental services and secure substantial revenue to allow us to address our adaptation needs such as improved sea defence and drainage, while creating other non-forestry related opportunities.

## **G. Other Institutional Reforms**

### **a. Financial Sector Reform**

4.77 Mr. Speaker, much of our preparatory work to strengthen the financial sector further had already commenced and was advanced well before the onset of the global crisis. During 2009, we expect the new anti-money laundering legislation and the money transfer agencies legislation to return from the special select committee stage to this Honourable House for passage. In addition, it is projected that the legislation to facilitate credit bureau establishment will be brought for consideration. In addition, recommendations to strengthen the Financial Institutions Act will be considered, along with the proposal to bring the NBS more formally under the supervision of the Bank of Guyana. Additional supervision guidelines and insurance regulations will also be issued to strengthen oversight of the sector.

### **b. Improving the Business Environment**

4.78 Mr. Speaker, as indicated earlier, a comprehensive competitiveness strategy is currently being implemented with close collaboration and joint oversight by Government, the private sector, and organised labour. Included in that strategy are a number of actions intended to effect further improvements to the business environment and reduce the cost of doing business in Guyana. Principal among the agencies to benefit from this reform agenda are the Deeds Registry, GOINVEST and GRA.

4.79 At the Deeds Registry, a standardised business registration form will be introduced, business information memoranda designed to inform local and foreign private investors of the processes involved in business registration, and an internet portal that will host the above information and documentation introduced. Together with the activities that are already

underway at the Deeds Registry, it is anticipated that these reforms will result in the number of days required to register a business in Guyana being significantly reduced.

4.80 The reforms at GOINVEST aim to better enable this institution to perform its investment facilitation role and discharge its mandate. A revised Investor Roadmap and Investor Guide will be completed in 2009. Three sector profiles will also be completed in 2009, to add to the two that were completed last year. The GOINVEST website will also be updated to make it more informative to potential investors.

4.81 The GRA will also continue to benefit from continued strengthening of its tax administration capabilities. Among the initiatives to be implemented are restructuring of the GRA along functional lines to enhance the efficiency of the key operations including audit, enforcement, debt management, information technology systems in line with TRIPS capabilities. In addition, there will be continued integration and strengthening of enforcement activities, including through the acquisition of a scanner, construction of boat houses and warehouses, and establishment of check points in areas such as Parika, New Amsterdam, Kurupukari, and Charity. These actions are expected to result in progressive stemming of revenue leakages and more efficient use of GRA resources. The work on identifying ways of simplifying and increasing efficiency in the interaction between GRA and taxpayers will also be advanced.

4.82 A number of other initiatives will be taken by Government in 2009 to improve the business environment. These include examining ways in which the Guyana Securities Council and the Stock Exchange can be strengthened with a view to making the securities market function more actively and effectively but with appropriate safeguards. Among the actions to be taken to ensure such safeguards are in place would be the elaboration and enforcement of stronger standards of corporate governance especially for listed companies.

c. National Insurance

4.83 Mr. Speaker, in 2009, the National Insurance Scheme (NIS) will move to implement the recommendations emerging from the reform process, its latest actuarial review, and its



most recent strategic retreat. The focus will be on improving compliance among employers and self-employed persons by legislation on disclosure and enforcing mandatory registration of the licensed self-employed. Legislation would also be tabled to remove remaining gender bias in existing policies and practices that date back to the time that the NIS was originally established, and consultations will continue among stakeholders on increasing the age of retirement of contributors. In addition, electronic submission of contribution schedules by employers will be enforced and mainstreamed. This will enhance the accuracy of NIS records and enable more timely processing of transactions.

d. Strengthening Public Administration

4.84 Mr. Speaker, our Government places the highest importance on the need to strengthen public administration, particularly as it relates to maximising programme and project effectiveness. To this end, work will commence on development of a results-based monitoring and evaluation system as a management tool, strengthening and integrating information flows to support core public management decisions, and enhancing institutional capacity in monitoring and evaluation functions. Work will also continue on the strengthening of the Audit Office's capabilities in the areas of performance audit, forensic audit, and audit quality assurance. In addition, resources are allocated for the strengthening of internal control systems, enhancing internal audit systems, and strengthening procurement and expenditure management systems. Greater managerial attention will be placed on ensuring improvements in the timeliness and quality of execution of programmes and projects across the public sector.

e. Governance

4.85 While preparations continue for local government elections, recently passed legislation to facilitate the election of mayors and deputy mayors, and chairmen and vice-chairmen of neighbourhood democratic councils, under specified circumstances is expected to provide some reinvigoration to the local government system.

4.86 Mr. Speaker, the engagement of Government with stakeholders will continue across all sectors when policy initiatives are being introduced. Efforts will also be made to improve the mechanisms of public consultations, particularly in increasing confidence in the benefits of the engagement among stakeholders. Government will heighten its focus in this Honourable House on establishing the Rights Commissions, with immediate focus on Rights of the Child, Indigenous People, and Women and Gender Equality. The Governance Unit in the Office of the President will also be better resourced to monitor the execution of our domestic and international obligations derived from the economic, social, and political conventions to which we have subscribed.

## **5. Targets for 2009**

5.1 Mr. Speaker, this budget is crafted with the objective of preserving macroeconomic stability. The targets set for 2009 are reflective of the objective we have set ourselves, but are also cognisant of fact that we are operating in a global economy that is currently experiencing its most challenging time in recent memory.

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

5.2 Mr. Speaker, in reporting on the economy's performance for 2008, I presented the growth performance for the economy as a whole as well as growth in the non-sugar sectors aggregated, indicating that I felt this was necessary given the impact that the sugar sector had on the overall growth performance in 2008. In 2009, the sugar sector is once again likely to exert a significant influence on overall performance, given that it is projected to recover from a particularly low base. Against this background, growth in the non-sugar economy is projected to moderate to 1.8 percent in 2009, reflecting the prevailing global conditions. With the inclusion of the sugar sector, whose projected performance will be discussed shortly, overall real growth in gross domestic product is targeted at 4.7 percent.

#### **a. Agriculture**

5.3 Mr. Speaker, sugar production is currently projected to return to the level budgeted for last year, 290,000 tonnes, representing a 28.2 percent increase above the low production level of 2008. The achievement of this target is conditional on the development of an appropriate turnaround plan as discussed earlier, and the successful implementation of its recommendations for the immediate term. Government recognises the risks and vulnerabilities inherent in the achievement of this objective, and will continue to monitor the industry especially closely to ascertain progress towards this objective and corrective actions that may prove to be necessary should any deviation arise.

5.4 Coming off a strong performance in 2008, the rice sector is targeted to produce 306,156 tonnes, a 7.1 percent decline from the 2008 level on account of response to

moderating price levels, and delayed planting as a result of weather conditions at the start of this year. Growth of 3 percent is projected in the livestock sector as a result of improved breeds of cattle and numbers of swine distributed in 2008, increased production levels of poultry meat, and reduced grain prices which will significantly reduce cost. Other agriculture is targeted to grow at 2 percent, reflecting the continuing benefits of the Grow More Campaign, which are expected to outweigh losses from flooding in the early part of the year. The forestry sector is expected to return to positive growth of 0.3 percent in 2009, while growth in the fisheries sector is projected to remain flat.

b. Industry

5.5 The mining and quarrying sector is expected to contract by 1.4 percent in 2009, with all of the three major products that comprise this sector expected to record negative growth. Faced with continued depressed market prices, the bauxite sector is expected to record a contraction in output of 7.1 percent to 1,943,624 tonnes. Even though gold prices are predicted to remain relatively strong, the performance of 2008 would be difficult to replicate and, as such, gold declarations are projected to decline by 1.5 percent to 257,503 ounces. Diamond production is expected to record a continued decline of 2.3 per cent for the year. On the other hand, the engineering and construction sector is targeted to grow by 3.8 percent, which will be centred on lower-value home construction in expanding new housing areas, continued strong construction in the commercial and financial sector, as well as public sector infrastructural works. The manufacturing sector is projected to remain flat, reflecting primarily the prospect of limited expansion in demand.

c. Services

5.6 The transport and communication sector is projected to grow by 4 percent, on account of a levelling of growth in both subsectors. Reflecting the general moderation in economic activity across all sectors, the distribution sector is projected to grow by 3.5 per cent. Likewise, financial services, other services, and rental of dwellings are targeted to grow by 4, 2 and 1.5 percent respectively

## **B. Monetary Policy and Inflation**

5.7 Monetary policy will continue to focus on liquidity management to foster stable prices and a responsive exchange rate, while facilitating private sector growth. The inflation rate is targeted at 5.2 percent, reflecting lower oil and other commodity prices relative to 2008 levels.

## **C. Balance of Payments**

5.8 The overall balance of payments is expected to deteriorate to a deficit of US\$13.9 million. The current account deficit is projected to improve marginally to US\$288.7 million, attributed to projected lower oil imports, which outweigh the marginal reduction in export earnings. Exports are expected to garner US\$763.5 million in earnings, primarily conditional on the achievement of the targeted level of sugar export earnings. Export earnings in gold, bauxite and rice are projected to decline by 18.8 percent, 12.5 percent and 3.7 percent respectively. On the other hand, merchandise imports are projected to decline by 8.9 percent to US\$1,184 million, primarily on account of a lower fuel bill. Private transfers are projected to decline by 20.9 percent, attributed to lower worker remittances and in-kind transfers given the downturn in the global economy. The capital account is projected to decline by 10.1 percent to a balance of US\$274.8 million, based on projected lower levels of foreign direct investment and capital transfers.

## **D. Targets for the Non-Financial Public Sector**

### **a. Central Government Operations**

5.9 Current revenue is targeted at \$90.3 billion, an increase of 9.5 percent over 2008 with a contribution of \$86.4 billion from GRA's tax revenue. Customs and trade taxes are projected to collect \$7.8 billion representing a 3.7 per cent increase, internal revenue is projected to collect \$37.4 billion or 8.1 percent more than 2008, and value-added and excise taxes \$41.3 billion or 11.2 percent over 2008 primarily as a result of the restoration of the excise tax on fuel with the lowering of prices. Non-tax revenue is projected at \$3.9 billion or

16.3 percent in excess of the 2008 collection, mainly on account of Bank of Guyana net income transfers.

5.10 Total expenditure is projected at \$127.8 billion, an increase of 11.6 per cent over the 2008 level. Of this, current expenditure is projected to grow by 4.1 percent to \$81.3 billion, while capital expenditure is projected to increase by 27.8 percent to \$46.5 billion. Among the sources of growth in non-interest expenditure are increased maintenance especially of physical and social infrastructure in accordance with the programmes outline earlier. The significant growth projected in capital expenditure primarily reflects the allocations for major sectors such as drainage and irrigation, electricity, public safety, and environmental and pure water supply.

5.11 As a result of these developments, the overall fiscal balance of the Central Government is projected to deteriorate in 2009 by 24.6 percent.

5.12 Mr. Speaker, the size of this budget is \$128.9 billion, 8.1 percent higher than last year's budget, making it Guyana's largest budget ever. Mr. Speaker, I further wish to state that its financing requires the introduction of no new taxes.

b. Summary Operations of the Public Enterprises

5.13 Total receipts of the public enterprises are targeted to increase by 8.7 percent to \$110.7 billion. Taxes and other transfers are projected to rise to \$1.1 billion, while capital expenditure is projected to increase to \$5.6 billion. The overall surplus is projected at \$1.9 billion.

c. Operations of the Non-Financial Public Sector

5.14 The deficit of the non-financial public sector is programmed to decline to \$16.7 billion or 6.5 percent of gross domestic product in 2009, down from 7.9 percent in 2008.

## **6. Conclusion**

6.1 Mr. Speaker, if I may conclude as I began, this budget comes in the middle of the current electoral term of office. Over the past two and a half years, despite adversities imposed by the external context, judicious policy formulation and steadfast implementation have enabled the domestic economy to achieve growth and maintain stability throughout.

6.2 Real gross domestic product expanded by 14.2 percent over the three years from 2006. The fiscal deficit trended downwards from 13.7 percent in 2005 to 7.9 percent in 2008, while investment in physical infrastructure and spending on social programmes were maintained. Imported inflationary pressures and price volatility were contained, our exchange rate remained stable, and our external reserves rose by 41.6 percent from US\$251.4 million at the end of 2005 to US\$355.9 million at the end of 2008.

6.3 On the labour and wages front, a historic five-year agreement was concluded with the teachers union in October 2006 and is currently being implemented. The income tax threshold has been adjusted from \$25,000 per month in 2006 to its current level of \$35,000 per month, a 40 percent increase. A public servant who was at the minimum wage of \$24,828 per month at the end of 2005 now earns a salary of \$34,055 per month, a 37.2 percent increase. An old age pensioner who used to receive \$3,500 per month as income support in 2006 now receives \$6,300 per month, an 80 percent increase.

6.4 On the infrastructure front, Guyana now has several new schools and hospitals, a four-lane highway on the East Bank of Demerara, a state of the art multi-purpose stadium, and the Berbice River Bridge, which we did not have two and a half years ago. Our security forces are now better equipped than at any time in our country's history. We have launched the most ambitious campaigns against social ills such as child labour, domestic violence, and drink driving. We have successfully hosted CARIFESTA X, Cricket World Cup, Commonwealth Finance Ministers Meeting, and the Rio Summit of Heads. We have conclusively settled our maritime boundary with Suriname by international arbitration, paving the way for resumed offshore oil exploration. Our President has led a globally

recognised campaign on the value of avoided deforestation, for which he has been named by Time Magazine a Hero of the Environment 2008.

6.5 These are just some of the highlights of the last two and a half years of which we can all be proud as Guyanese. However, as I indicated at the beginning, none of our recent achievements can be said to have come easily.

6.6 In like manner, if global conditions today are anything to judge by, the road immediately ahead will certainly not be easy for small vulnerable economies such as ours. Indeed, over recent months and weeks, the external context in which we operate has descended into what can only be described as chaos and turmoil in the global financial system. Today's environment is totally uncharted territory for policymakers and market participants alike. It is for that reason that caution and prudence are required of us as we navigate the way forward.

6.7 As we enter 2009, we must be prepared as a country for the external environment to test us to the limit. Our firm commitment as your Government is that we will spare no effort in confronting the challenges before us, in ensuring that the interests of the People of Guyana are protected and served, and that their aspirations are pursued and realised. Overcoming the challenges of today and realising our aspirations for tomorrow will demand the very best in all of us, as individuals and as a nation. The lessons of history are replete with testimony to the resilience and resourcefulness of the Guyanese People, and if these were to be our guide, I would have no doubt that we will emerge from this global economic crisis a stronger People and a stronger Guyana.

6.8 I thank the many persons who contributed to the preparation of this budget, especially the hardworking staff of my Ministry. I thank all of my colleagues in this Honourable House, for their encouragement and support today. And I thank you, Mr. Speaker, for presiding so very kindly over this afternoon's sitting.





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# APPENDICES



## APPENDIX 1

### SELECTED SOCIO - ECONOMIC INDICATORS

INDICATORS	2004	2005	2006	2007	2008
<b>1.0 NATIONAL ACCOUNTS AGGREGATES</b>					
1.1 Growth Rate of Real GDP	1.6	-1.9	5.1	5.4	3.1
1.2 GDP at factor cost (US\$M)	652.0	683.0	754.9	847.9	945.2
1.3 GNP at factor cost (US\$M)	621.1	663.5	698.1	836.7	930.4
1.4 Per capita GDP (US\$)	862.8	900.9	992.4	1111.0	1233.6
1.5 Per capita GNP (US\$)	821.9	875.1	917.7	1096.3	1214.3
1.6 Gross National Disposable Income (US\$M)	799.7	930.4	1019.9	1353.1	1483.8
1.7 Private Consumption as % of Gross Domestic Expenditure	49.2	55.3	48.5	54.6	63.3
1.8 Public Consumption as % of Gross Domestic Expenditure	21.8	20.3	18.0	17.3	14.4
<b>2.0 EXTERNAL TRADE AND FINANCE</b>					
2.1 BOP Current Account Balance (US\$M)	-70.0	-157.5	-250.4	-189.1	-299.1
2.2 Imports of Goods and Non-Factor Services (G&NFS US\$M)	-754.9	-984.6	-1130.4	-1335.6	-1624
2.3 Exports of Goods and Non-Factor Services (G&NFS US\$M)	688.5	698.9	732.7	870.9	1010.3
2.4 Resource Balance (US\$M)	-66.4	-285.7	-397.7	-464.7	-613.7
2.5 Imports of G&NFS/GDP(%)	115.8	144.1	149.7	157.5	171.8
2.7 Exports of G&NFS/GDP(%)	105.6	102.3	97.1	100.7	106.9
2.8 Net International Reserves of Bank of Guyana (US\$M)	136.6	160.5	221.5	254.0	298.8
2.9 External Public Debt Outstanding (US\$M)	1071.1	1214.6	1043.2	718.8	833.7
<b>3.0 PRICES, WAGES &amp; OUTPUT</b>					
3.1 Rate of Inflation (% changed in Urban CPI)	7.2	8.3	4.2	14.0	6.4
3.2 Public Sector Monthly Minimum Wage in G\$(e.o.p)	23,204.6	24,828.9	26,070.3	28,416.7	29,836.0
3.3 % Growth Rate	5.0	7.0	5.0	9.0	5.0
3.4 Electricity Generation (in M.W.H)	514.9	528.4	534.6	559.2	569.2
<b>4.0 POPULATION &amp; VITAL STATISTICS</b>					
4.1 Mid-Year Population ('000)	755.7	758.2	760.7	763.2	766.2
4.2 Population Growth Rate (e.o.p)	0.3	0.3	0.3	0.3	0.3
4.3 Net Migration ('000)	-5.8	-15.2	-9.2	-10.8	-15.7
4.4 Visitor Arrivals ('000)	121.9	116.8	113.5	134.1	129.6
4.5 Crude Birth Rate (per 1,000 persons)	21.7	19.6	19.5	19.0	19.9
4.6 Crude Death Rate (per 1,000 persons)	6.8	6.9	6.6	6.6	6.5
4.7 Crude Marriage Rate (per 1,000 persons)	5.9	4.8	6.1	5.3	4.2
4.8 Infant Mortality Rate (per 1,000 persons)	20.7	22.0	19.2	20.3	17.5
4.9 Under 5 mortality Rate (per 1,000 live births)	26.0	26.5	20.3	23.9	20.2
<b>5.0 HEALTH AND EDUCATION</b>					
5.1 Public Expenditure on:					
5.1.1 Education as % of National Budget	15.5	13.7	13.0	17.1	15.1
5.1.2 Health as % of National Budget	9.5	7.5	9.0	10.6	9.3
5.2 Number of Physicians per Ten Thousand Population	4.2	4.9	4.9	5.1	6.6
5.3 Number of Nurses per Ten Thousand Population	12.7	11.6	10.8	10.1	10.6
5.4 Number of Hospital Beds per Ten Thousand Population	25.0	24.9	24.1	24.9	24.9
5.5 Low birth-weight babies (<2500g.) as a % of live births	11.6	11.7	10.8	11.6	11.0
5.6 Under 5 Severely malnourished (as a % of total Clinic attendees)	1.0	0.6	0.4	0.5	0.4
5.7 Under 5 Moderately malnourished (as a % of total Clinic attendees)	9.3	7.0	5.9	7.0	6.0
5.8 Under 5 Overweight (as a % of total Clinic attendees)	5.2	4.7	3.9	3.6	3.6
<b>6.0 IMMUNIZATION COVERAGE</b>					
6.1 1 year olds Immunized against DPT/ (Pentavalent) (%)	91.0	92.0	93.0	94.0	95.0
6.2 1 year olds Immunized against MMR, Yellow Fever (%)	88.4	92.0	90.0	96.0	96.0
6.3 1 year olds Immunized against polio (%)	91.0	93.0	92.0	94.0	95.0
6.4 1 year olds Immunized against TB, BCG (%)	94.0	96.0	96.0	97.0	97.0
<b>7.0 CRIME</b>					
7.1 Reported Serious Crimes	3450.0	3270	2756	2470.0	2246
7.2 of which: Homicides	139.0	150	173	116.0	164

## APPENDIX II

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

SECTOR	2003	2004	2005	ACTUAL 2006	REVISED 2007	BUDGET 2008	REVISED 2008	BUDGET 2009
<b>TOTAL</b>	<b>5,501</b>	<b>5,587</b>	<b>5,478</b>	<b>5,759</b>	<b>6,068</b>	<b>6,361</b>	<b>6,253</b>	<b>6,548</b>
Sugar	935	1,006	761	802	824	896	699	896
Rice	218	200	168	189	183	197	203	188
Livestock	130	133	129	125	128	131	137	141
Other Agriculture	291	297	288	308	322	330	347	354
Fishing	159	157	161	156	161	166	158	158
Forestry	183	184	199	237	211	217	179	179
Mining & Quarrying	554	518	426	334	409	433	434	428
Manufacturing	309	309	346	364	367	378	360	360
Distribution	412	420	483	532	579	608	648	670
Transport & Communication	555	575	629	692	782	845	860	894
Engineering & Construction	468	487	533	597	631	657	685	711
Rent of Dwellings	97	98	104	114	118	120	123	125
Financial Services	293	296	315	340	364	384	408	424
Other Services	210	213	228	246	258	269	277	282
Government	686	694	708	722	729	729	736	736

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

## APPENDIX III

### CENTRAL GOVERNMENT FINANCIAL OPERATIONS

	ACTUAL 2007	BUDGET 2008	REVISED 2008	BUDGET 2009
<b>Total Revenue</b>	<b>80,356.8</b>	<b>81,638.8</b>	<b>82,963.1</b>	<b>90,285.1</b>
<b>Revenue</b>	<b>80,356.8</b>	<b>81,638.8</b>	<b>82,484.1</b>	<b>90,285.1</b>
Tax	77,353.2	78,204.0	79,133.9	86,387.3
Income taxes	29,358.5	26,957.8	31,241.6	33,750.6
Consumption taxes	38,298.4	41,415.5	37,109.3	41,266.6
Trade taxes	7,101.1	7,067.4	7,754.6	7,931.6
Other	2,595.2	2,763.3	3,028.4	3,438.5
Non-tax	3,003.6	3,434.8	3,350.2	3,897.8
Private sector	2,275.7	2,440.8	2,121.4	2,192.8
Public enterprise & BOG	727.9	994.0	1,228.8	1,705.0
<b>Total expenditure</b>	<b>107,503.9</b>	<b>115,368.8</b>	<b>114,475.7</b>	<b>127,766.7</b>
<b>Current expenditure</b>	<b>64,626.8</b>	<b>74,515.0</b>	<b>78,086.1</b>	<b>81,264.2</b>
Non-interest expenditure	58,432.7	67,991.8	71,538.5	74,494.6
Personal emoluments	21,987.9	24,521.3	23,911.4	26,623.2
Other goods and services	20,341.4	24,364.6	24,256.3	26,759.1
Transfer Payments	16,103.4	19,105.8	23,370.9	21,112.3
Transfers to the private sector	16,103.4	19,105.8	20,071.7	21,112.3
Transfers to the public sector	-	-	3,299.1	-
<b>Interest</b>	<b>6,194.1</b>	<b>6,523.3</b>	<b>6,547.6</b>	<b>6,769.6</b>
External	3,088.7	3,631.2	3,571.8	3,384.9
Domestic	3,105.4	2,892.1	2,975.8	3,384.7
<b>Primary balance</b>	<b>21,924.1</b>	<b>13,647.0</b>	<b>10,945.6</b>	<b>15,790.5</b>
<b>Current balance</b>	<b>15,730.0</b>	<b>7,123.8</b>	<b>4,398.0</b>	<b>9,020.9</b>
<b>Capital Revenue</b>	<b>-</b>	<b>-</b>	<b>479.0</b>	<b>-</b>
<b>Capital Expenditure</b>	<b>42,877.2</b>	<b>40,853.8</b>	<b>36,389.6</b>	<b>46,502.6</b>
<b>Overall Balance before Grants</b>	<b>(27,147.2)</b>	<b>(33,730.0)</b>	<b>(31,512.6)</b>	<b>(37,481.6)</b>
<b>Grants</b>	<b>11,136.0</b>	<b>22,324.9</b>	<b>16,550.0</b>	<b>18,831.1</b>
HIPC relief	3,624.0	2,943.2	2,938.4	2,751.0
Original	-	-	-	-
Enhanced	821.3	591.7	596.8	1,107.1
CMCF	513.9	513.9	513.9	257.0
MDRI	2,288.8	1,837.6	1,827.7	1,386.9
Other	7,512.0	19,381.7	13,611.6	16,080.1
Projects	6,343.9	6,355.0	5,335.0	7,916.0
Non-projects	1,168.1	13,026.7	8,276.6	8,164.1
<b>Overall Balance after Grants</b>	<b>(16,011.1)</b>	<b>(11,405.2)</b>	<b>(14,962.6)</b>	<b>(18,650.5)</b>
<b>Financing</b>	<b>16,011.1</b>	<b>11,405.2</b>	<b>14,962.6</b>	<b>18,650.5</b>
Net External Borrowing	16,587.9	18,709.0	15,026.2	21,338.2
Disbursements of Loans	19,964.1	33,169.3	27,375.3	33,509.4
Debt Repayments	3,063.3	3,121.8	3,017.4	2,320.5
Rescheduling	1,522.5	961.5	956.7	922.1
Guysuco - Escrow A/C	1,724.0	-	-	-
Overseas Deposits	(3,559.4)	(12,300.0)	(10,288.5)	(10,772.8)
Net Domestic Borrowing	(576.8)	(7,303.9)	(63.5)	(2,687.7)
Net Advances	854.5	-	-	-
Net Increase in T-bill Holdings	-	84.8	-	-
Net Increase in Debentures	-	-	-	-
Other	-	-	-	-
Net Divestment Proceeds	-	-	-	-
<b>Overall Deficit as a % of GDP</b>	<b>(7.4)</b>	<b>(4.8)</b>	<b>(6.3)</b>	<b>(7.3)</b>

**Figures: G\$m**  
**Source: Ministry of Finance**

## APPENDIX IV

### ALL URBAN CONSUMER PRICE INDEX (including GEORGETOWN)

GROUP	2007	2008											
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>ALL ITEMS</b>	250.0	253.4	255.9	261.9	263.1	262.9	264.4	264.5	267.1	269.4	268.8	264.0	265.9
FOOD (incl. Alcoholic Beverages)	256.2	262.0	264.8	277.7	279.4	277.3	279.0	277.6	284.0	284.0	285.0	277.4	285.9
CLOTHING	86.6	86.3	86.3	86.0	86.0	85.3	85.1	84.3	84.2	84.1	84.3	84.7	84.7
FOOTWEAR	75.5	72.2	72.2	72.3	72.7	72.8	72.8	76.6	76.6	77.4	77.4	77.4	78.9
HOUSING	277.6	281.4	285.5	286.4	286.7	287.7	288.2	292.4	291.9	301.6	299.1	297.9	296.5
FURNITURE	161.6	158.4	158.0	158.3	160.8	160.9	161.4	161.3	162.2	164.5	165.8	167.7	168.9
TRANSPORT & COMMUNICATION	304.7	305.7	309.3	309.4	310.2	313.9	319.2	317.2	314.7	313.9	308.2	296.7	282.3
MEDICAL & PERSONAL CARE	287.4	290.0	290.6	291.3	291.3	291.3	292.4	292.4	292.4	292.5	292.5	292.5	292.5
EDUCATION, RECREATION, CULTURE	270.1	269.0	269.0	268.8	269.2	273.9	273.4	273.4	273.4	273.7	273.9	273.2	273.6
OTHER GOODS AND SERVICES	209.6	212.4	211.9	213.9	216.3	214.0	214.5	215.2	216.2	217.2	217.9	218.1	215.6

GROUP	2003	2004	2005	2006	2007	2008	2008	% Change	
	DEC	DEC	DEC	DEC	DEC	NOV	DEC	DEC - DEC	NOV - DEC
<b>ALL ITEMS</b>	184.3	194.4	210.4	219.2	250.0	264.0	265.9	6.4	0.7
FOOD	175.8	185.6	200.1	212.4	256.2	277.4	285.9	11.6	3.1
CLOTHING	75.2	75.2	75.4	75.4	86.6	84.7	84.7	-2.2	0.0
FOOTWEAR AND REPAIRS	64.2	64.5	66.2	66.7	75.5	77.4	78.9	4.5	1.9
HOUSING	213.3	228.5	252.3	261.4	277.6	297.9	296.5	6.8	-0.5
FURNITURE	133.5	142.5	144.2	148.7	161.6	167.7	168.9	4.5	0.7
TRANSPORT & COMMUNICATION	246.8	255.7	285.3	285.0	304.7	296.7	282.3	-7.4	-4.9
MEDICAL & PERSONAL CARE	194.7	206.5	206.5	242.0	287.4	292.5	292.5	1.8	0.0
EDUC., RECR. AND CULTL. SERVICE	204.7	214.4	235.4	232.6	270.1	273.2	273.6	1.3	0.1
MISC. GOODS & SERVICES	158.7	161.6	165.3	170.9	209.6	218.1	215.6	2.9	-1.1

## APPENDIX V

### BALANCE OF PAYMENTS ANALYTIC SUMMARY

ITEM	ACTUAL 2007	BUDGET 2008	REVISED 2008	BUDGET 2009
<b>A Current Account</b>	<b>(189.1)</b>	<b>(246.3)</b>	<b>(299.1)</b>	<b>(288.7)</b>
<b>1.0 Merchandise (Net)</b>	<b>(365.1)</b>	<b>(388.1)</b>	<b>(501.8)</b>	<b>(420.5)</b>
1.1 Exports (f.o.b.)	698.0	736.9	798.4	763.5
1.1.1 Bauxite	101.5	130.0	131.1	114.7
1.1.2 Sugar	150.1	160.1	133.4	153.2
1.1.3 Rice	75.3	80.0	118.0	113.6
1.1.4 Gold	158.2	150.3	203.7	165.5
1.1.5 Timber	55.4	67.6	53.8	54.5
1.1.6 Other	140.9	135.9	149.2	145.0
1.1.7 Re - exports	16.5	13.0	9.2	17.0
1.2 Imports (c.i.f.)	(1,063.1)	(1,125.0)	(1,300.2)	(1,184.0)
1.2.1 Fuel & Lubricants	(285.1)	(335.0)	(406.8)	(314.6)
1.2.2 Other	(777.9)	(790.0)	(893.5)	(869.4)
<b>2.0 Services (Net)</b>	<b>(110.8)</b>	<b>(135.6)</b>	<b>(126.1)</b>	<b>(128.2)</b>
2.1 Factor	(11.2)	(30.6)	(14.8)	(23.6)
2.2 Non Factor (Net)	(99.6)	(105.0)	(111.3)	(104.6)
<b>3.0 Transfers</b>	<b>286.8</b>	<b>277.4</b>	<b>328.8</b>	<b>260.0</b>
3.1 Official	-	-	-	-
3.2 Private	286.8	277.4	328.8	260.0
<b>B Capital Account</b>	<b>168.7</b>	<b>249.9</b>	<b>305.7</b>	<b>274.8</b>
<b>*1.0 Capital Transfers</b>	<b>414.1</b>	<b>79.8</b>	<b>38.7</b>	<b>36.8</b>
<b>*2.0 Medium and Long Term Capital (Net)</b>	<b>(150.4)</b>	<b>190.0</b>	<b>272.8</b>	<b>270.0</b>
2.1 Non - Financial Public Sector Capital (Net)	(260.7)	59.3	93.7	108.0
2.1.1 Disbursements	104.9	59.7	186.6	198.6
2.1.2 Amortization	(41.4)	(11.7)	(45.6)	(42.7)
2.1.3 Other	(324.2)	11.2	(47.2)	(47.9)
2.2 Private Sector (Net)	110.3	130.7	179.1	162.0
<b>*3.0 Short Term Capital</b>	<b>(95.0)</b>	<b>(19.9)</b>	<b>(5.8)</b>	<b>(32.0)</b>
<b>C Errors and Omissions</b>	<b>19.1</b>	<b>0.0</b>	<b>0.4</b>	<b>0.0</b>
<b>D OVERALL BALANCE</b>	<b>(1.4)</b>	<b>3.6</b>	<b>7.0</b>	<b>(13.9)</b>
<b>E Financing</b>	<b>1.4</b>	<b>(3.6)</b>	<b>(7.0)</b>	<b>13.9</b>
<b>1.0 Bank of Guyana net foreign assets</b>	<b>(37.3)</b>	<b>(33.0)</b>	<b>(44.8)</b>	<b>(30.0)</b>
<b>2.00 Change in Non-Financial Public Sector Arrears</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>3.0 Exceptional Financing</b>	<b>38.7</b>	<b>29.4</b>	<b>37.8</b>	<b>43.9</b>
3.1 Debt Relief	7.5	-	4.7	11.7
3.2 Balance of Payments Support	-	-	-	-
3.3 Debt Forgiveness	29.2	30.1	33.7	32.8
3.4 Debt Stock Restructuring	2.0	(0.6)	(0.6)	(0.6)

## APPENDIX VI

### ACTUAL AND PROJECTED EXTERNAL DEBT STOCK

ITEM	Actual End-December 2006 (After E-HIPC)	Actual End-December 2007 (After E-HIPC & MDRI Reduction) 1/	Actual End-December 2008 (After E-HIPC & MDRI Reduction) 1/	Preliminary End-December 2009 (After E-HIPC & MDRI Reduction) 1/
<b>TOTAL EXTERNAL DEBT</b>	<b>1,043.17</b>	<b>718.78</b>	<b>833.66</b>	<b>939.83</b>
<b>1.0 Multilateral</b>	<b>778.12</b>	<b>429.02</b>	<b>472.67</b>	<b>503.56</b>
IBRD	0.00	0.00	0.00	0.00
IDA	9.16	9.97	9.77	9.65
IADB	515.22	152.58	191.44	256.04
CDB	112.09	123.89	130.80	135.09
CMCF	35.95	31.10	31.10	0.00
IMF	55.75	58.56	60.18	56.23
Others 2/	49.94	52.91	49.38	46.56
<b>2.0 Bilateral</b>	<b>243.04</b>	<b>267.94</b>	<b>340.16</b>	<b>415.72</b>
<b>2.1 Paris Club Creditors:</b>	<b>60.20</b>	<b>59.05</b>	<b>56.91</b>	<b>53.58</b>
USA	0.00	0.00	0.00	0.00
-PL 480	1.11	1.06	1.01	0.96
UK	0.00	0.00	0.00	0.00
Canada	0.00	0.00	0.00	0.00
Germany	0.00	0.00	0.00	0.00
-KFW	0.00	0.00	0.00	0.00
Netherlands	0.00	0.00	0.00	0.00
Denmark	0.00	0.00	0.00	0.00
Norway	0.00	0.00	0.00	0.00
Sweden	0.00	0.00	0.00	0.00
France	0.00	0.00	0.00	0.00
Japan	0.00	0.00	0.00	0.00
T&T	54.71	53.14	51.27	49.03
Russia	0.28	0.28	0.28	0.28
Italy	4.11	4.57	4.35	3.31
Others 3/	0.00	0.00	0.00	0.00
<b>2.2 Non-Paris Club Creditors:</b>	<b>182.84</b>	<b>208.89</b>	<b>283.25</b>	<b>362.14</b>
Venezuela	12.50	40.31	109.05	165.06
Argentina	11.49	11.83	12.17	12.51
Kuwait	55.44	60.72	62.10	64.27
Libya	37.47	37.86	38.24	48.77
Cuba	0.00	0.00	0.00	0.00
Bulgaria	1.94	2.22	2.40	2.59
Others 4/	64.00	55.95	59.28	68.94
<b>3.0 Private Creditors</b>	<b>22.01</b>	<b>21.82</b>	<b>20.83</b>	<b>20.55</b>
3.1 Suppliers 5/	13.37	13.39	13.42	13.44
3.2 Financial Markets/Bonds 6/	8.64	8.42	7.41	7.11

Notes:

1/ Takes into account debt relief granted under the Enhanced HIPC initiative and the Multilateral Debt Relief initiative.

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

3/ Includes CDC Loans.

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

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

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