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## **ABOUT FOCUS 2003**

**Ram & McRae** is pleased to offer its analysis of Budget 2003. This is an annual publication which highlights, reviews and comments on the major issues raised in the National Budget. Its contents are not intended to take the place of the text of the speech or a professional advisor.

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## **ABOUT RAM & McRAE**

Established in 1985, **Ram & McRae**, formerly Christopher L. Ram & Company has distinguished itself in the field of professional services both in Guyana and abroad. An unchallenged reputation for client focus, professionalism and excellence is the source of our rapid and continuing growth.

**Ram & McRae** has secured a premier place in the provision of taxation and advisory services to local and international business operators. We offer the business sector a unique set of the legislation (and advice thereon) including:

- Consolidated Tax Laws of Guyana (Income Tax (in Aid of Industry), Income Tax, Corporation Tax, Property Tax, Capital Gains Tax) Acts. These are also available individually.
- Companies Act, 1991
- NIS Act
- Mining Act
- Petroleum (Exploration & Production) Act
- Petroleum (Production) Act, Cap 65:05
- Termination of Employment & Severance Pay Act
- Trade Union Recognition Act
- Dealers in Foreign Currency (Licencing) Act
- Foreign Exchange (Miscellaneous Provisions) Act
- Revenue Authority Act
- Hotel Occupancy Tax Act
- Securities Industry Act
- Insurance Act 1998

Other publications by the Firm, which are available to the public, are:

- Handbook on the Companies Act, 1991
- The Guyana Business Outlook Survey 1995-1997 and 1999-2003
- Guyana Investors Information Package
- Focus on Guyana's National Budget 1991 - 2002

Our credo dictates that we concentrate our energies on developing creative **ideas** to formulating practical **solutions** and producing tangible **results**, exceeding the expectations of our clients.

The Firm's affiliation to **Ernst & Young International** gives it access to worldwide resources which ensures that its clients benefit from business ideas and opportunities that place them in leadership positions in their industry.

## **PRE-BUDGET COMMENTS**

What was once an eagerly anticipated and sometimes feared occasion, the presentation of the National Budget appears to have lost its attraction to the majority of Guyanese. Other than a photograph of the Minister of Finance meeting with representatives of the Guyana Trades Union Congress about two weeks before the Budget, the State-owned television and print media gave no prior reporting while the independent Stabroek News this year did not carry its usual survey of businesspersons to determine their expectations. Only belatedly, on the eve of the Budget did the Stabroek News run an editorial on the Budget even then opining that "recent budgets have been pretty anodyne affairs with no new taxes, and one suspects it will be the same again". And on the day of the Budget the Government-owned Chronicle reported that the Minister of Finance had told the Government Information Agency (GINA) that the Budget would seek to enhance economic growth and security.

From all appearances, the pre-Budget consultations were fewer or less publicised than in earlier years. The Minister met with the Guyana Trades Union Congress (GTUC) on Friday, 14 March and with the Private Sector Commission (PSC) on Friday, 21 March, prompting adverse comments from the PSC about the short notice and questions about the benefit of such a consultation only days before the presentation of the Budget. Unlike previous years, no member body of the PSC was invited which caused much disappointment among several of the more prominent bodies including the Guyana Manufacturers' Association and the Georgetown Chamber of Commerce and Industry which represent a substantial part of the business community.

The GTUC presented the Minister with what was a rather modest list of proposals on issues ranging from tax collection, increases in the threshold for the payment of personal taxes to \$30,000 per month and a four band tax rate from 0%-30%, changes in the formula for computing pensions for public officers, a review of the National Insurance Scheme with a view to providing maximum benefits to its beneficiaries' and an increase in the level of minimum pensions, an increase in the subvention to the GTUC to \$8Mn and the continuation of the present financial support given annually by the Government to the Critchlow Labour College.

The Private Sector Commission also made a written submission, the centrepieces of which are the adoption of a revised Investment Code and Tax Reform. Among the tax reform measures the PSC proposed are: the granting of export allowances to Caribbean countries (currently only exporters of non-traditional products to non-Caricom countries benefit from this allowance), increasing the personal threshold to \$25,000 per month, broadening the tax base by the introduction of a VAT and registration fees and/or identification numbers for the self-employed, re-introduction of credits for mortgage interest for new homes, unifying the rates of corporate tax at 25%, general lowering of the rates of duty and consumption taxes including a flat rate of 10% on the manufacturing sector.

Also on the eve of the Budget presentation, the main opposition party, the People's National Congress/Reform announced at its weekly press conference that it would not be taking part in the Budget debate. It announced that "given the Government's poor track record in managing the economy, the long suffering Guyanese could only expect more pain". PNC/R MP Lance Carberry is reported as saying "that with the impending constructive engagement between the major political parties and their leaders, the reform of parliament and other matters would have been so far advanced that the political rejuvenation would have made it possible for the PNC/R to take part in the budget presentation and debate". Co-incidentally, the PNC/R was also absent from the

presentation of the 2002 Budget Speech when the entire opposition walked out to protest the few, irregular and unproductive sittings of Parliament.

This Budget is the first since Mr. Robert Corbin's election as Leader of the PNC/R and also the first since the passing of former President, the late Mr. Hugh Desmond Hoyte S.C. whose measured contributions in the National Assembly would no doubt be missed.

In terms of general articles on the economy, much of the pre-budget news was on recent studies done by the World Bank and the International Monetary Fund calling for the implementation of much needed and in many cases agreed reforms. A case in point was the commitment given to the World Bank by Head of the Presidential Secretariat by letter dated 10 May, 2002 to address the following four areas in the public sector financial system: Improved Oversight of Public Financial Management, Curtailment of discretionary powers of public officials, Disclosure of public officials personal assets and Independence of the Auditor General's Office. So far there is little evidence of any progress despite a deadline of December 31, 2002 set for the last of these four items.

Both these IFI's, by virtue of the various programmes to which Guyana has signed on in exchange for their support of the country's efforts at restructuring of the economy, are reported as becoming increasingly exasperated at the failure of the Government to carry out their commitments in a timely manner. In particular, the continuing failure to address satisfactorily the Investment Code, procurement, the recommendations to widen the tax net, the absence of transparency in the tax system while reducing the discretionary powers of the political directorate in granting costly tax concessions, the Government's apparent ambivalence in dealing with tax evasion among the self-employed and professional class, and the general poor state of public financial management are all issues with which the IFI's as well as the rest of the donor community are reported to be unhappy.

## INTRODUCTION

The Hon. Saisnarine Kowlessar presented his fourth Budget as Minister of Finance today, 28 March, two days before the constitutional deadline. With the exception of Ms. Sheila Holder and Shirley Melville of the GAP-WPA, the Minister spoke to empty opposition benches across the table while the teachers and the Justice For All Party held separate protest marches and supporters of the PNC/R managed to interrupt the presentation for about 25 minutes. In a throwback to the earlier years, the Budget has as its theme: *Confronting the challenges: Staying on course for a prosperous Guyana*. As predicted, the Minister announced a small increase in the income tax threshold from \$18,000 per month where it had been for 6 years, to \$20,000 per month. Departing from practices in recent years of no additional taxes, the Minister appears to have accepted some of the recommendations for tax increases including the application of the consumption tax on all telephone calls and increasing the rates of withholding tax on interest as well as payments to non-residents. For details, please refer to page 26 - Budget Measures.

In giving himself credit for the 'shrewd management of the economy' the Minister was upbeat about the reported positive growth, record sugar production, exchange rate stability and higher than projected international reserves even as more money was being spent on physical and human infrastructure and social services. The Minister referred to the 'many difficulties' and 'extreme circumstances in the country' and appealed to those who cherish democracy to 'lend an unequivocal voice against attempts to create instability, to make the country ungovernable, and to divide our people', a clear reference to the PNC/R whose former leader had threatened to make the country ungovernable.

At the international level, the Minister referred to the economic impact of September 11, 2001 which saw the world economy "lurch" to a 2.6 percent growth in real terms, the negative prospects of the outbreak of War on Iraq, rising oil prices, and lower business and consumer confidence as key threats to global recovery in the short term. The Minister noted that the countries of Caricom 'with the notable exception of Guyana, Belize and Trinidad and Tobago returned weak economic performances' as their 'critical foreign exchange-earning sectors, especially tourism, failed to provide the stimulus that was needed to generate expansion in output and income'.

While noting that the war will have a negative impact on world trade, travel and investment', the Minister referred to the possibility of drastic reduction in development aid to regional countries as resources are diverted not only to the war effort but also to the reconstruction to follow. Already, Afghanistan has raised the possibility that its own needs could be neglected as the USA puts all its political capital at stake in Iraq. Almost unrealistically the Minister committed the government to efforts to compete effectively within the Caribbean Single Market and the FTAA which is scheduled to come into effect on 1 January 2005. Ironically, the Stabroek News of today (March 28, 2003) reports that Caribbean countries are planning a major lobby to force a change of the negotiations timetable which has been set at December 2004. There is no indication that the Minister is aware of its development.

Among the priorities identified in his 'packed agenda' for 2003 are job creation through growth, promotion and attraction of investment, increased support for the private sector; greater access to potable water, housing and other social services; reform of the Judiciary; more accountable government and an intensified crime fight'.

Despite the growth reported by the Minister, all economic sectors with the exception of rice milling, personal use and 'other', registered net repayments to the banking system which incidentally continues to enjoy widening spreads and increasing profits.

The Minister's use of figures is sometimes deliberately ambiguous and confusing while in some cases the numbers do not appear correct. For example, the Minister refers to investment facilitated by Go-Invest growing to \$18Bn. without any indication of the absolute or relative growth during the year. And in praising the contribution of the Institute of Private Enterprise Development the Minister refers to 'creating and/or sustaining 7,113 jobs', which could mean all or no new jobs. On the issue of spending on security, the Speech refers to setting aside \$7.2Bn. on national security without any indication of the absolute or relative increase.

The Minister has paid the usual perfunctory acknowledgement to the National Development Strategy, the Poverty Reduction Strategy Paper (PRSP) and the PPP/C Manifesto without any acknowledgement of the increasing shortfall in the targets set under those documents. The PRSP projects an average annual growth rate of 4% over the period 2000-2005. In reality, the growth rates for the years 2000-2002 have been -1.4% in 2000, 1.9% in 2001, 1.1% in 2002 while the projection for 2003 is 1.2%. Clearly the targets set in the PRSP are not going to be achieved.

Given the continuing financial and psychological dependence of Guyana on the IMF, the World Bank and the international donor community, it is not surprising that the Minister could offer very little that is new, imaginative or bold. As usual, many of the measures announced in earlier years have not attracted mention in the current year while some have clearly not been achieved such as the tabling of legislation on bankable property rights, bringing a new semi-autonomous Deeds Registry into operation and the restructuring of the rice, sugar and bauxite industries.

Having become so accustomed to tax-free budgets, both savers as well as borrowers will find the increases in the rates of withholding tax as well as the extension of the consumption tax on local calls surprising and penal. Everyone who recognises that tax reform is necessary must also be prepared for some adverse consequences. However, those who bear the brunt of the tax burden can only envy the luck of the large body of self-employed person who contribute less than 2% of the tax revenues collected by the Revenue Authority and who seem to enjoy complete immunity.

The Minister has a lot to do to convince the country that his Government is serious about dealing with the scourge of tax evasion in which the self-employed sector engages.

**SPEECH HIGHLIGHTS**

Size of the Budget: \$72.9Bln

**2002 Facts**

Real Growth in the economy of 1.1% compared to a target of 2% and actual of 1.9% in 2001

Overall balance of payments deficit increased from US\$8.4Mn in 2001 to US\$25.1Mn

Overall expansion of the monetary base by 10% to \$36.3 billion

Inflation rate of 6.1% as compared to target of 5%

Depreciation of the Guyana Dollar by 1.2% compared to 2.6% in 2001

Increase in Current Revenue collections from G\$41.4Bn in 2001 to G\$44.6Bn

Current account deficit of US\$106.7Mn and net inflows on the capital account of US\$88.7Mn (2001 – US\$115.3)

Minimum public sector wage increased by 5% to \$21,047 per month

Increase in sugar production of 16.4% and decreases in rice of 10.7% & bauxite of 18.9%

Exports of US\$494.9Mn compared to imports of US\$563.1; a trade imbalance of \$68.2Mn

**Measures – 2003**

Increase in withholding tax rates from 15% and 10% to 20%

Introduction of a 10% consumption tax on all local telephone calls including cellular calls

\$1.9Bln of external finance for drainage and irrigation, \$533Mn for sea defence

Commencement of construction of a four-lane highway from the Harbour Bridge to the city, resurfacing the Mahaica/Rosignol road and parts of Mandela Avenue

\$7.2Bln for national security

Implementation of tax reform following an assessment completed in 2002

\$895Mn+ for poverty reduction with an additional \$5.7 billion over the next 5 years

**Financial Targets – 2003**

Inflation of 5% with growth in Real GDP of 1.2%

Increase of 45% in the current account deficit to US\$154.3Mn

Current expenditure of \$49.9Bn, an increase of 3.5% over 2002

Current revenue of \$46Bn, a 3.2% increase over 2002

Estimated total expenditure of \$72.9Bn, a 15.9% more than in 2002

Overall deficit of non-financial sector to increase by 123% from \$7.4Bn to \$16.5Bn (11.5% of GDP)

Increase of 55% in the overall deficit after grants from \$13.7Bn to \$21.2Bn or 15% of GDP

Overall deficit of the central government (before grants) to increase by 46% to \$26.8Bn

**REVIEW 2002****2002 Global Facts**

World output projected at 4% in 2003 compared with 3.0% in 2002

Growth in advanced economies was 2.6% compared to 1.1% in 2001

Unemployment level rose to 10% in regional countries as compared with 8.4% in 2001

The general output of regional countries contracted by 0.6% compared to 0.5% in 2001

**2002 Local Facts**

	Target 2003	Actual 2002	Target 2002
Real GDP growth	1.2%	1.1%	2.0%
Inflation rate	5.0%	6.1%	5.0%
Current account deficit of the balance of payments	US\$154.3Mn	US\$106.7Mn	US\$141Mn
Increase in the money supply	Not stated	5.5%	8.9%

**The Global Economy**

World economies experienced recession, stagnated employment and worsening fiscal balances following the September 11 debacle. Growth in real terms in the advanced economies was 2.6%. The Latin American Region contracted by 0.6% led by Argentina, Venezuela, Uruguay and Paraguay. Inflation in these countries rose sharply to 8.6%. The Caribbean economies were not spared and its foreign exchange earning tourism industry suffered the brunt of the impact. Unemployment in Latin America and the Caribbean rose by 10%.

**The Domestic Economy**

The Minister reported that the economy recorded a positive growth in real GDP of 1.1%, a drop from 1.9% in 2001 and against a target growth rate of 2%. In 2000, the economy contracted by 1.4% following a positive growth of 3% in 1999.

The positive growth in 2002 was due primarily to improved performance in sugar by 16.4% to 331K tonnes which enjoyed record production and very favourable exchange rate.

The rice sector that reflected growth of 10% in 2001 declined by 10.7% to 288K tonnes even though the banking system extended additional credit to the sector.

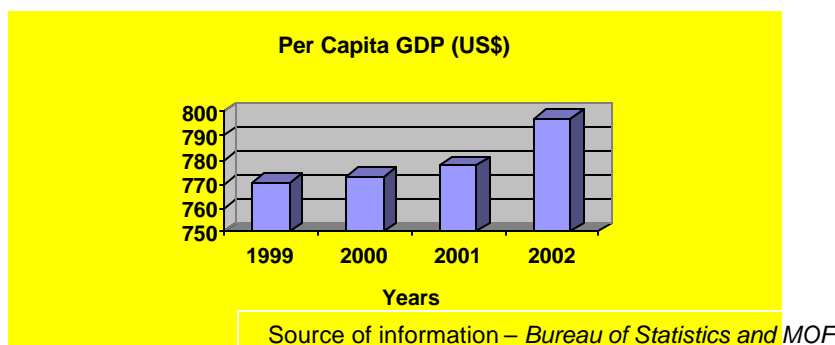
From a growth of 1.2% in 2001, the mining and quarrying sector declined by 6.9% although this was cushioned by rising diamond production of 34.8%. Omai Gold Mines which accounts for 74% of total gold output realised a 8% reduction in production over 2001.

Manufacturing grew by 2% compared with 0.2% in 2001. The principal contributors were industrial goods, beverages and edible items. No mention was made of the pharmaceutical, footwear and

garments all of which had been reported in the 2002 Budget Speech as having shown impressive gains in 2001.

The Services sector did not improve on 2001 growth of 5.5%. Engineering and construction declined by 2%, Distribution by 1%, Financial services by 1%. Engineering and construction and Distribution grew by 2.1% and 0.5% respectively in 2001. Transport and communication growth of 4.5% was insufficient to create an overall positive impact on this sector.

Per capita GDP for 2002 was US\$797.3 compared with US\$777.5. *Per Capita GDP is the total output produced inside a country during a given year divided by the total population.*



## Debt Relief

Debt service declined by 19% to US\$42.7M but the stock of debt actually increased by 3.5% to US\$1.24Bn.

New credit contracted during the year was US\$119.5M of which US\$7.3M was received. In 2001, Guyana had missed the completion point for the Enhanced HIPC Initiative but the favourable position appears to have been restored leading to the possibility of an additional US\$590M in debt relief. There is no further mention of possible rescheduling of debt with Canada and OPEC referred to in the 2002 Budget Speech.

## Balance of Payments

	US\$Mn		
	Actual 2001	Revised 2002	Budget 2003
<b>Current Account</b>	<b>(128.60)</b>	<b>(106.70)</b>	<b>(154.30)</b>
Merchandise Trade	(93.60)	(68.20)	(128.00)
Service (net)	(79.00)	(78.50)	(71.00)
Transfers	44.00	40.00	44.70
<b>Capital Account</b>	<b>115.30</b>	<b>88.70</b>	<b>90.30</b>
Capital transfers	30.80	33.70	24.40
Non-Fin. Public Sector	39.40	19.70	(16.60)
Private Capital	56.00	43.60	82.50
Short-term Capital	(10.90)	(8.30)	-
<b>Errors and Omissions</b>	<b>4.90</b>	<b>(7.10)</b>	<b>-</b>
<b>Overall Balance</b>	<b>(8.40)</b>	<b>(25.10)</b>	<b>(64.00)</b>

Source of information - *Estimates of the Public Sector*

The current account on the Balance of Payment reduced from US\$128.6M to US\$106.7M, an improvement of 17%.

Despite increased sugar earnings of 9.4%, export earnings increased by only 1.0% largely due to decreases in rice and bauxite.

Import fell by 3.6% to US\$563.1M with imports on consumption goods declining by 4.4%, intermediate goods 3.3% and capital goods 1.6%. Imports of fuel and lubricants incredibly fell from US\$131.5M to US\$125.8M despite the substantial increases in international prices.

**Public Sector Investment**

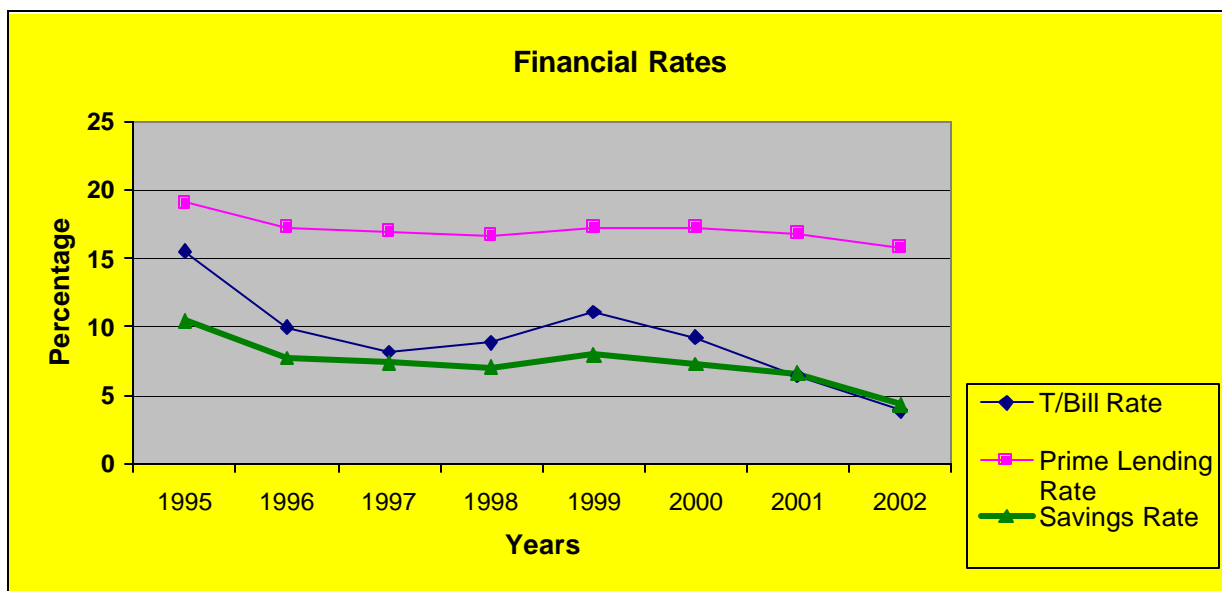
The Public Sector Investment Programme (PSIP) has achieved an astounding 99% of the revised target. Each year the Minister of Finance reports fairly similar percentages in situations where some of the expenditure is incurred only on tender. It is either that some information is exchanged or money is spent/manipulated to beat the system.

**Banking and Interest Rates**

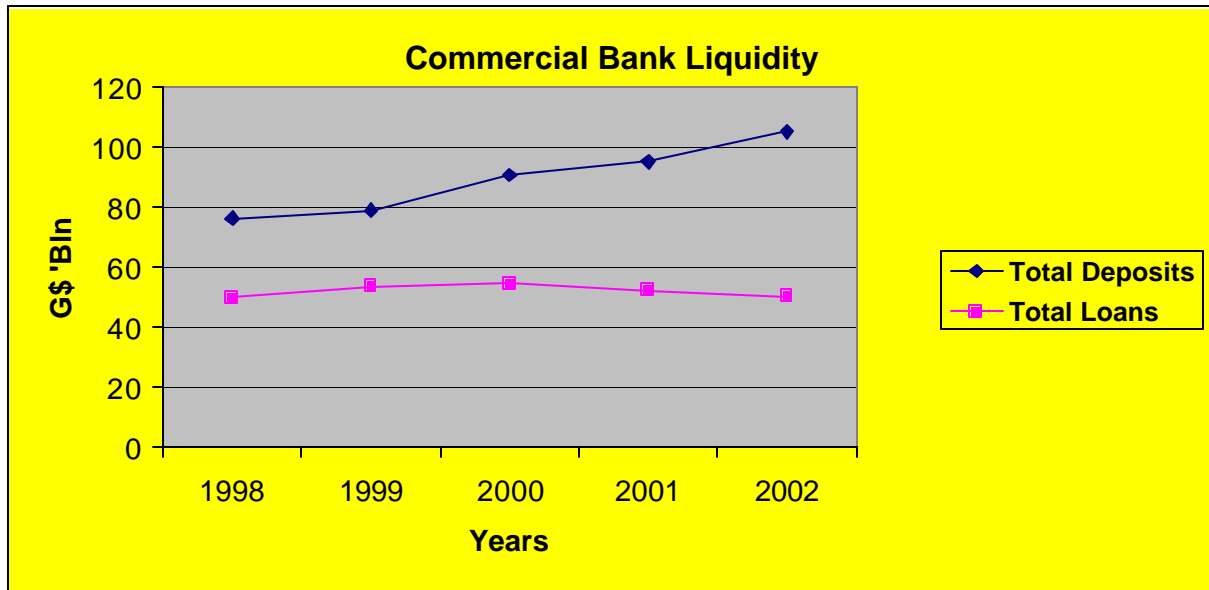
Interest continues along its downward trend with rates on 91-day treasury bills falling by 2.34 percentage points to 3.91% and ordinary savings by 2.41 to 4.29%; but lending rates by only 1 percentage point. Consequently, the spread widened to 11.96 percentage points.

Loans and advances to the private sector remained flat (\$59.3Bn in 2001) despite the excessive liquidity in the system. While total deposits in the commercial banks grew from \$75Bn in 1997 to \$105Bn in 2002, an increase of 40%, loans and advances increased by less than 1% to G\$50.4Bn.

The following table shows the widening spread earned by the commercial banks as they seek to maintain high rates of interest on loans to cushion the fall in the rates of investment income.



Source of information – BOG Statistics



Source of information – *BOG Statistics*

### The Exchange Rate

The exchange rate of the Guyana dollar to the US dollar remained fairly stable, depreciating by 1.2% and settling at \$191.75 at year-end. In 2001, the rate declined by of 2.6%.

### Issues in the Financial Sector

The privatisation of the two state-owned entities, namely GNCB Trust and GNCB, was advanced in 2002. GNCB was sold to the National Bank of Industry and Commerce (NBIC) for US\$14.1M while 95% of the Share Capital of GNCB Trust was sold for US\$2.3M.

The Securities Commission was established during the year and will form the basis for the advancement of the Guyana Stock Exchange.

The Minister belatedly announced the establishment of a Financial Intelligence Unit to effectuate the Money Laundering Act.

### Ram & McRae's Comments

Incredibly the Minister made no reference to the performance of tourism sector or to some of the high-flyers of the previous years in his review of sectoral performance.

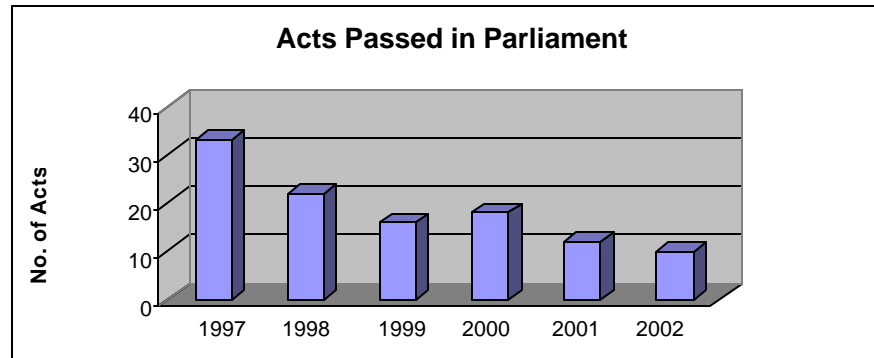
Despite widely held concerns about money laundering, drugs and economic crimes and the passage of the Money Laundering Act in February 2000, neither the regulator nor the commercial banks appear equipped to deal with money laundering. Given the reported size of the underground economy and the still large cash nature of the economy, it is no easy task to combat money laundering.

Once again, there will be many who question the accuracy of some of the growth and inflation statistics, particularly having regard to some apparent inconsistencies. The fall in the consumer imports for which there are no competing substitutes indicate a fall in the standard of living.

The Minister appears to have overlooked in his comments on the Balance of Payments, the fall in the value of fuel imports from US\$131.5Mn to US\$125.8Mn. Fuel prices increased in 2002 by approximately 51.4% so that even if there was no change in the level of imports the value should have increased by approximately US\$67Mn. It is not unreasonable to assume that a substantial portion of this represents smuggling into the country, loss of revenue and unaccounted for foreign exchange use.

## 2002 LEGISLATION

For details of the Acts passed during 2002, refer to appendix 1.



### ***Ram and McRae's Comments***

During the year, the highest institution in the land met a total of thirteen (13) times including five days to deal with Budget 2002.

Ten Acts were assented to and Gazetted including four on Crime (Acts 7 – 10) which drew adverse comments from domestic and international human rights group. Three other pieces of substantive legislation viz the Local Authorities (Elections) Amendment Bill, the Fiscal Enactments Amendment Bill and the Fisheries Bill were all passed on 5 December 2002 but there is no indication that these were assented to and Gazetted before the end of 2002.

One other Act, the Procurement Act 2002, was passed and assented to by the President but the Minister in his Speech announced that “the implementation of the new law was delayed in order to take on board additional representation and comments from interested stakeholders”.

At the level of subsidiary legislation, performance was much better with the publication of sixteen regulations of which seven were in respect of the Securities Industries Act to allow the Securities Council to carry out its functions under that Act.

Unfortunately there were two Regulations numbered 4 of 2002 and two numbered 9 of 2002. This must make the work of Attorneys in this country both onerous and hazardous.

Parliament is the premier, supreme governance institution in the land. Its performance over the years has been an immense disappointment prompting someone to say recently that one shudders to think what happens at the regional and local government levels.

Mr. Robert Corbin Leader of the PNC/R is yet to be designated Leader of the Opposition, a situation that has far-reaching implications for the governance of the country. The stalemate has continued for far too long while the country, despite the economic numbers, slides into lawlessness and its best and brightest seek their safety and prospects for a better life abroad.

With so many days of prayers and calls for national reconciliation apparently going unheeded, it is time that those politicians who truly put Guyana first, step out and speak up.

## UNFINISHED BUSINESS

Every year, Focus tracks the implementation of the key issues and policies identified in previous Budget Speeches. The Budget Speech is as much a political speech as it is a technical document and the Minister conveniently addresses issues in a manner to conceal any deficiencies. Focus continues to be disappointed at the pace of implementation and there appears no serious effort to address these shortcomings.

In this section, we consider those issues, which are brought forward from earlier years. Of course, there may also be policies and programmes executed even though they might not have been identified in any Speech.

The following issues actually arose out of the 2001 Budget and Focus offers its comments thereon:

- ✓ **Completing a Tax Reform Study;** Since 2000, Minister Kowlessar in his first Budget Speech informed the nation that he had requested the IMF to undertake a comprehensive study of the tax system. Not one but two studies later, the Government is yet to make any firm decision on the recommendations.
- ✓ **Tabling legislation on bankable property rights** – no mention in the 2003 Speech.
- ✓ **Tabling new Procurement legislation and establishing a new Procurement supervisory body;** - Done but found to be deficient. Plans to revisit.
- ✓ **Reforming the Civil Service** – Perhaps in progress
- ✓ **Bringing a new semi-autonomous Deeds Registry into operation** – not done;
- ✓ **Improving institutional framework for trade and investment facilitation** – Perhaps in progress
- ✓ **Appointing a Commissioner of Insurance and support staff to enforce legal framework;** Done but questions have been raised about the status of this office which has been placed in the Privatisation Unit of the Ministry of Finance
- ✓ **Restructuring the rice, sugar and bauxite industries in order to enhance their viability, their ability to compete internationally and their net contribution to society;** - Highly questionable. The privatisation of Linmine and Bermine announced in the 2000 Budget Speech has not taken place while the former privatised Aroima Mining and Aroima Bauxite companies have reverted to state ownership.
- ✓ **Diversifying the economic base for the purpose of stimulating investment into new products and services in order to reduce the country's dependence on the traditional production centres.**- The Ministry of Fisheries, Crops and Livestock has energetically plugging several opportunities with some good results.

### **Ram and McRae's Comments**

Despite the severe shortage of technical skills and other resources which must disproportionately affect the public sector, every year the Government announces ambitious plans over a range of initiatives. It is time that the Government recognise the serious limitations under which it labours, identify a smaller, key number of policy measures and pursue them with focus, imagination and energy.

The political directorate must not only be concerned about modernization of the public sector but also about its own knowledge of management techniques to become more effective. It must not only allow but require Ministers and public servants to make decisions pertaining to their ministries.

Too many Ministers seem to believe that everything must go to Cabinet which is a most ineffective manner of management.

On the issue of tax reform, it seems a little disingenuous for the Minister to report 'that the Government has carried out a detailed examination and assessment of tax administration and the need for tax reform.' The Government requested a study which was done by overseas experts with very little local participation or consultation outside of Government circles.

## **2003 POLICY ISSUES & TARGETS**

Even as the Minister noted that the success of the implementation of the 2003 agenda is predicated on returning the country to stability – an eventuality that cannot be taken for granted – he identified ‘a packed agenda for 2003’. This includes: improving the political climate; maintaining a stable macroeconomic environment; modernising the traditional growth sectors; promoting new growth areas; improving the financial, institutional and regulatory framework; rehabilitating and expanding the physical and social infrastructure; developing our human resources; creation of sustainable employment; and improving accountability, transparency and governance structures.

The main issues are:

### **1. Modernising the traditional sectors and promoting growth in non-traditional sectors**

The Minister summarised the measures taken in 2002 and aimed for 2003 as follows:

**Sugar:** With all approvals for its expansion programme in place, Guysuco is now earmarked to receive support to access the approx. US\$110Mn, needed for the Skeldon Expansion Project. The Minister announced that the Government would introduce a new management contract for the Corporation while a new cane payment system would be introduced for independent farmers.

**Rice:** The Minister again referred to the assistance package negotiated on behalf of those rice farmers who owe the commercial banks less than \$10Mn; a possible agreement for those who owe more than \$10Mn and who can prove that the money was invested in rice, securing financial assistance from the European Union for a comprehensive restructuring of the sector; and implementation of a National Action Plan over a 10 year period.

**Bauxite:** Initiatives announced included the merger of Aroaima and Bermine, the privatisation of Linmine and an agreement between Omai Gold Mines Limited and Linmine for stripping and mining.

**Non-traditional:** With the clearing of the country of the dreaded ‘foot and mouth’ disease, the Minister signalled aggressive moves to expand the beef industry including new veterinary health legislation. He also announced that the government would revamp the tax and incentives regimes for the manufacturing sector and bring the Guyana Tourism Authority into full operation with the principal task of marketing the country’s eco-tourism resources.

**Forestry, precious metals and oil:** No initiatives.

### **2. Renewal and Expansion of Economic Infrastructure**

The Minister highlighted a \$900Mn programme for drainage and irrigation, a \$1Bln project for other agriculture support and \$1.1Bln to be spent on sea defence.

Resurfacing of the Mahaica/Rosignol Road, the construction of a 4-lane highway from the Harbour Bridge to Georgetown, construction of 59 bridges between Timerhi and Rosignol and commencement of resurfacing of the runway and reconstruction of the incoming terminal at the CBJ Airport are the major plans for the Transport and Communication sectors.

The Minister announced hopes for the deregulation of the telecommunication sector and in respect of electricity services, plans for review of the energy policy and a project to connect 40,000 unserved electricity customers.

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

The Minister identified the following specific action to be taken:

- (i) Completion of a report on the supervisory strategy of the Bank of Guyana leading to subsequent amendments of the Bank of Guyana and Financial Institutions Act;
- (ii) Full implementation of the Money Laundering (Prevention) Act;
- (iii) Introduction of an Industrial Development Authority Act and a Free Zone Act.
- (iv) Promotion of fairer trading by enactment of Competition Commission, E-Commerce and Consumer Protection legislation

### **4. Accountability and Transparency**

The measures announced were:

The procurement of a modern, fully computerised, off-the-shelf Integrated Financial Management and Accounting System to address the current inadequacies of the budget and accounting functions of the Government for full operations by 2004.

New Fiscal Management and Accountability Act and Audit Act along with the adoption of a new procedures manual and reorganisation plan for the Auditor General's Office. These initiatives were also planned in 2002.

Amendments to the Procurement and Tenders Act which was only recently enacted (during 2002).

Institution of reform of the Tax System including strengthening of the Income Tax Laws and review of the Customs and Guyana Revenue Authority Acts. The Minister announced that the Government would seek to enshrine the incentives regime into law and briefly noted that the Government would fill a number of critical positions within the GRA.

The Financial Stability Unit which was mentioned in the 2002 budget was not commented on in this budget.

### **Ram & McRae's Comments**

The Minister was surely over-ambitious in suggesting that the Government could ensure Guysuco's profitability while his comments on the rice sector suggest that there is still an inadequate appreciation of the state of the sector and the number of businesses which are out of operation because the banks have given up all hopes for many of them.

While participation by Omai is likely to salvage the Demerara bauxite operations, there appears to be no realistic plan for the Berbice operations.

The lack of comments on the on/off-shore exploration for oil in Guyana is surprising giving the current uncertainties in the regional and international oil market. In this connection, the Government must take better steps to improve relations with neighbours Venezuela and Suriname.

In his review of the international scene, the Minister acknowledged the war in Iraq and its possible impact on Guyana but did not identify any specific consequences for the country or any strategy to minimise those consequences.

A new draft Audit Act prepared by international consultants was to have been put into law by May 1, 2002 as part of an IMF conditionality. The Government however has shown little enthusiasm for a stronger Audit Office and has taken advantage of the inadequate functioning of the parliamentary committees to delay its implementation. Focus has always advocated enhancing the independence of the Auditor General's Office, but with so many broken promises, is now to be convinced that this time the Government means what it says and that in future, it will act promptly on the findings of the Auditor General.

We consider the steps to improve the regulatory financial environment far too ambitious and that instead of placing more responsibility on the Central Bank, a separate Financial Services Authority should be set up allowing the Bank to revert to its core responsibility for monetary management.

The Government has not been keen on various attempts to limit the number of tax remissions which narrow the tax base, reduce the scope for the overall lowering of the tax rates and possible opportunities for higher collections. It is not clear which incentives regime the Minister was referring to but such regimes must be considered against the state of the economy and the mantra of the IMF which has wide influence over the country's economic programmes. On Budget day the IMF coincidentally issued a Public Information Notice on the Currency Union of the Eastern Caribbean which criticised the level of tax exemptions and discretionary concessions in that region.

There was inadequate attention paid to the Guyana Revenue Authority on which so much store was placed prior to its establishment. The Authority has been without a head for close to nine months and with no deputy, the Authority cannot function effectively. While the Minister speaks of filling critical vacancies, he needs to ponder state of the GRA without a Commissioner General and is fate if the head of one or both of the departments resigned. The Minister would not be unaware that the resignation of the former Commissioner General came amidst criticisms of internal corruption in the GRA and the conclusions the public might draw from his failure to address in a more decisive manner the problems of the country's principal revenue agency.

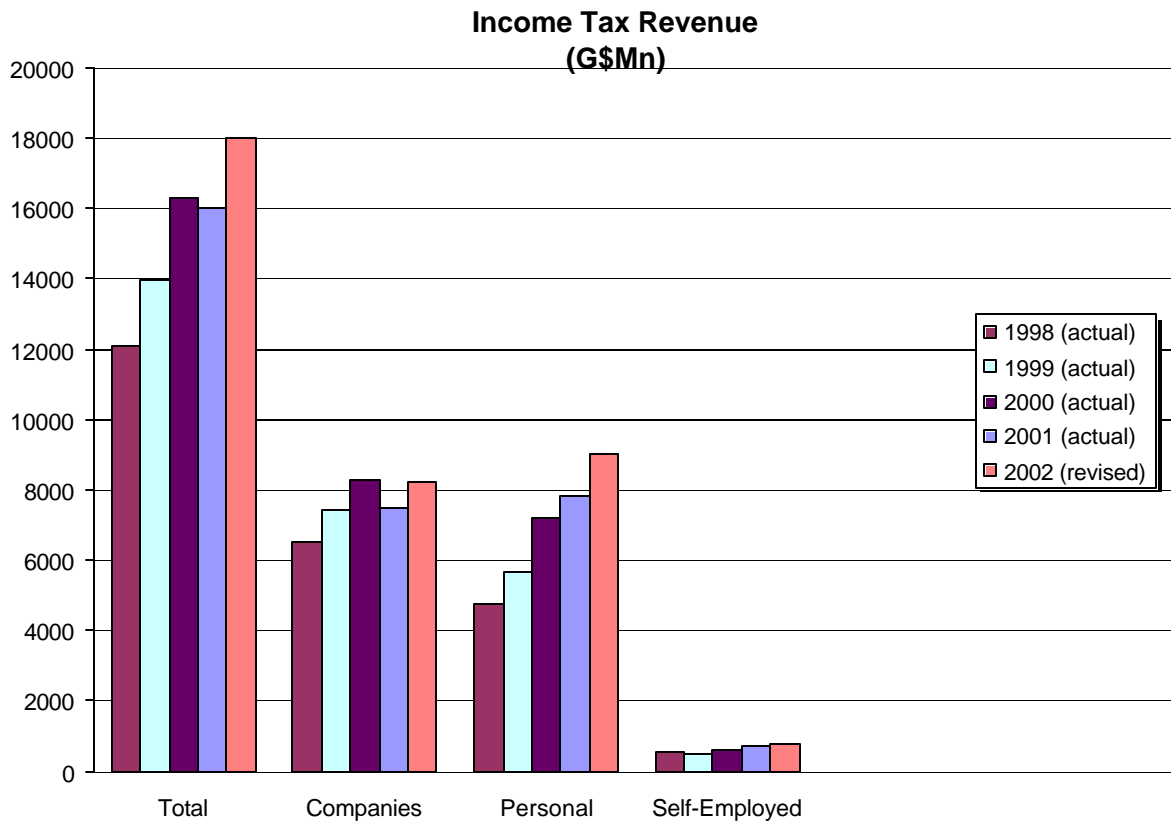
No mention is made of Copyright legislation the lack of which has crippled the cinema industry and would likely lead to the same fate of our young artists.

As though coincidences were against him, the press reported on the collapse of the negotiations with Guyana Power and Light while the Minister is reporting plans for 40,000 new connections.

## THE GOVERNMENT OF GUYANA FINANCIAL PLAN 2003

The table on the page 22 presents a summary of the Government's projected financial plan for 2003. Some of the 2002 figures, which appeared in the 2002 Estimates, have been restated in the 2003 Estimates without any explanation. The Plan projects a negative current balance of G\$1.65Bn after taking interest and current expenditure from current revenue, compared with a negative balance of G\$111.8Mn in the 2002. This is a major turnaround from a budgeted deficit of G\$2.05Bn in 2002. The principal elements of the 2003 Plan are:

**Current revenues** are projected to increase to G\$45.98Bn in 2003 from G\$44.56Bn in 2002. The Revenue Authority projects an increase of G\$1.67Bn or 4% over 2002 and now hope to bring in 92.4% of the total current revenue. In 2002, the Revenue Authority realised an increase in its revenues of 8% over the previous year but fell short of budget by G\$80Mn. Collections in 2002 over 2001 of the Internal Revenue Department increased by G\$2,433Mn or 12.37% and accounted for 54% as compared to 52% of Guyana Revenue Authority's revenue.

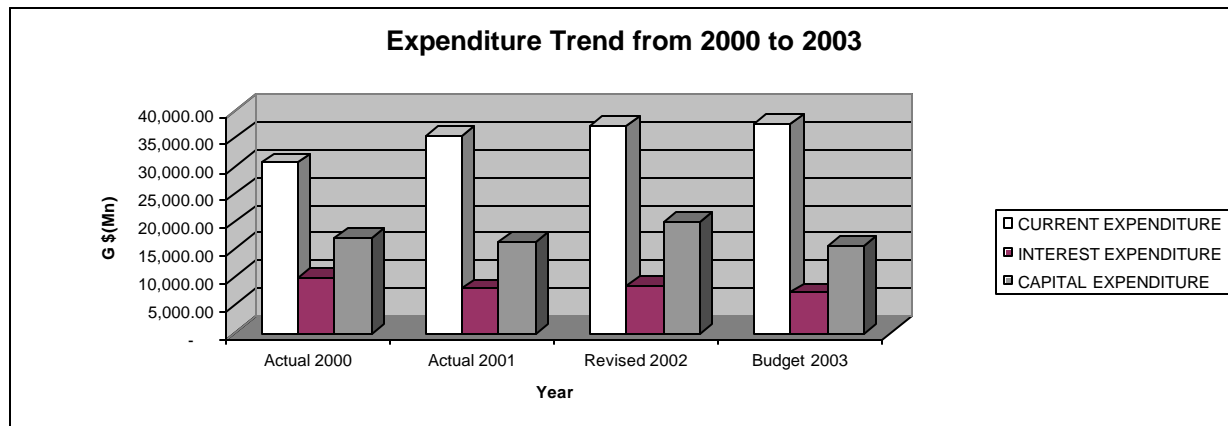


**Total Current expenditure** is projected to increase by 6.6% from G\$44.67Bn to G\$47.62Bn in 2003. It is made up of interest expenditure of G\$5.7Bn (2002-G\$7.23Bn), personal emoluments of G\$16.901Bn or 35% (2002- 35%) and other charges of G\$24.997Bn (2002- G\$21.612Bn). The main allocations of the non-interest expenditure were the Ministry of Finance **15%**, Ministry of Education **9%**, Ministry of Home Affairs **8%**, Guyana Defense Force **6%** and Ministry of Health **5%**.

There are several significant projected changes in the allocation of certain expenditure in comparison to the 2002. Major decreases over 2002 include: Ministry of Housing and Water **44%** and Office of the Prime Minister **4%**.

Significant projected increases over 2002 include: Ministry of Finance **21%**, Public & Police Service Commission **45%**, Teaching Service Commission **53%**, Ministry of Health **20%**, Georgetown Public Hospital Corporation **16%**, Public Prosecutions and Public Service Appellate Tribunal **21.11%**.

For further details of allocation of non-interest expenses please refer to page 23.



**Total interest expenditure** is projected to decrease by 21% from G\$7.225Bn in 2002 to G\$5.726Bn in 2003 or approximately 12.46% of current revenue compared with 16.2% in 2002. Interest on domestic and external debts is projected to decrease by 30% and 7% respectively.

**Capital revenue** is projected at G\$5.733Bn (2002-G\$4.573Bn) and capital expenditure at G\$22.247Bn (2002-G\$15.675Bn). The revenue figure is made up principally of HIPC grants (\$2.605Bn) and Project and Programme funds (\$3.066Bn).

**Capital expenditure** of G\$22.247Bn represents a 41.93% increase over 2002. This follows a decline in 2002 and 2001 of 5% and 3% respectively. The proposed allocation of the capital expenditure includes: Ministry of Finance 37%, Ministry of Agriculture 4%, Ministry of Public Works and Communications 19%, Ministry of Education 9%, Ministry of Housing and Water 12%, and Ministry of Local and Regional Government.

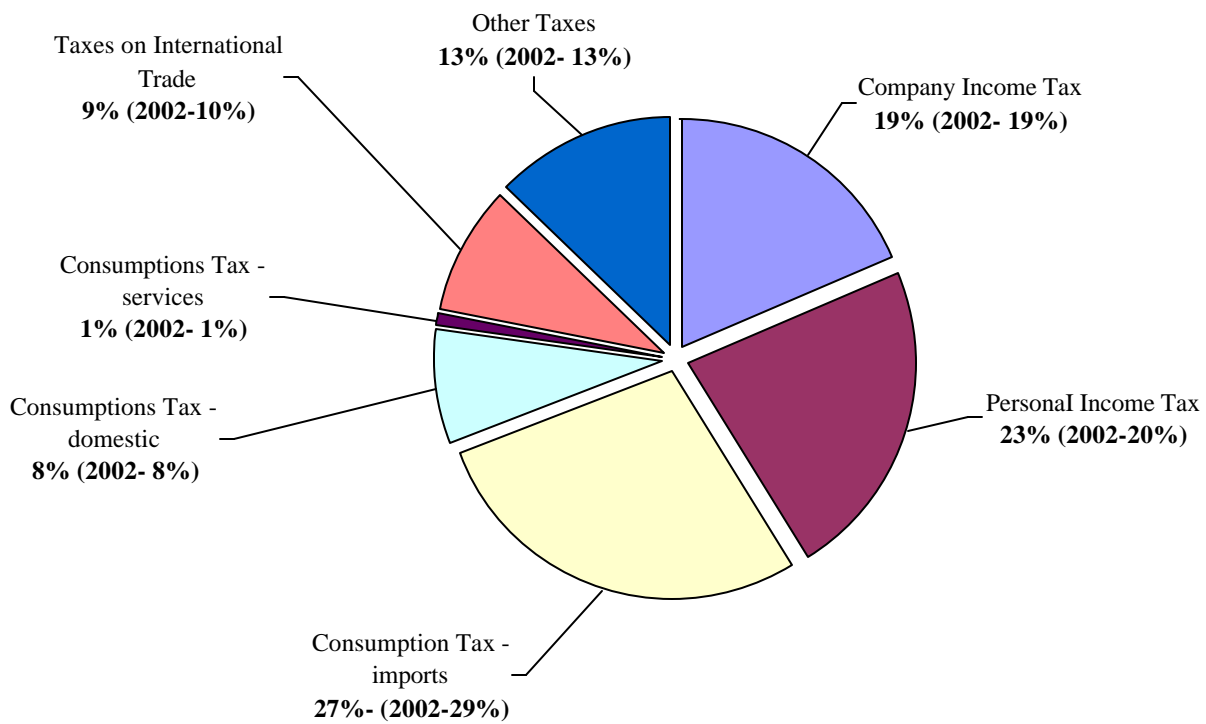
**Debt repayment** is projected at G\$3.025Bn (2002-G\$2.515Bn) made up of domestic debt repayments of G\$50.6Mn and external debt repayments of G\$2.974Bn, representing a decrease of 59.4% and increase of 24.4% respectively over the previous year. There is an overall deficit of G\$21.189Bn compared with a deficit of G\$13.730Bn in 2002. It is projected that the deficit will be financed from domestic and external sources of G\$9.347Bn and G\$12.84Bn respectively. The overall balance of deficit before grants is projected at G\$26.859Bn which is G\$8.588Bn more than the deficit of G\$18.271Bn in 2002 before grants.

During 2003, Domestic and External Debt Service as a percentage of current revenue is projected at 19% compared with a revised budget for 22% in 2002 and 27% for the preceding year.

**Ram and McRae's Comments**

The composition of projected revenue for 2003 is essentially the same as 2002. The contribution by Personal Income Tax increased slightly in 2003 [23%] compared with 2002 [20%].

**Budgeted Tax Revenue for 2003**



**Source: 2002 Estimates of Public Sector**

**FINANCIAL OPERATION OF CENTRAL GOVERNMENT (ACCOUNTING CLASSIFICATION)**

ITEMS	BUDGET	Revised	Budget	Revised	Actual
	2003	2002	2002	2001	2000
<b>CURRENT REVENUES</b>	<b>45,974.6</b>	<b>44,558.2</b>	<b>43,790.30</b>	<b>41,426.20</b>	<b>41,328.0</b>
1.1 Guyana Revenue Authority	42,491.60	40,822.50	40,903.30	37,769.70	38,072.0
1.1.1 Inland Revenue	22,311.60	22,102.10	20,726.20	19,668.30	18,949.2
1.1.2 Customs & Trade	20,180.00	18,720.00	20,177.10	18,101.40	19,122.8
1.2 Sugar Levy	-	-	-	-	124.4
1.3 Other	3,483.00	3,735.70	2,887.00	3,656.50	3,131.6
<b>CURRENT EXPENDITURES</b>	<b>41,897.7</b>	<b>37,444.9</b>	<b>37,227.70</b>	<b>35,374.80</b>	<b>30,553.8</b>
2.1 Personal Emoluments	16,901.10	15,832.00	15,814.40	14,743.30	14,317.7
2.2 Goods and Charges	11,826.10	9,700.60	9,943.20	9,057.40	8,189.2
2.3 Transfer to the Private Sector	10,670.50	9,553.60	9,970.10	9,576.70	8,046.9
2.4 Transfer to the Public Sector	2,500.00	2,358.70			
<b>INTEREST EXPENDITURE</b>	<b>5,726.4</b>	<b>7,225.1</b>	<b>8,614.60</b>	<b>7,993.70</b>	<b>9,927.9</b>
3.1 Domestic	3,019.20	4,312.80	5,041.70	4,782.60	5,050.1
3.2 External (Cash)	2,707.20	2,912.30	3,572.90	3,211.10	4,877.8
<b>CURRENT BALANCE</b>	<b>(1,649.5)</b>	<b>(111.8)</b>	<b>(2,052.00)</b>	<b>(1,942.30)</b>	<b>846.3</b>
<b>CAPITAL REVENUE &amp; GRANTS</b>	<b>5,733.80</b>	<b>4,572.60</b>	<b>9,822.30</b>	<b>5,716.40</b>	<b>6,745.90</b>
5.1 Grants	5,671.40	4,541.70	9,751.00	5,667.00	6,689.90
5.1.1 HIPC	2,605.30	1,836.30	6,363.80	2,747.10	2,281.60
5.1.2 Project and Programme	3,066.10	2,705.40	3,387.20	2,919.90	4,408.20
5.2 Other (inc. Sale of Assets)	62.40	30.90	71.30	49.40	56.00
<b>CAPITAL EXPENDITURE</b>	<b>22,247.20</b>	<b>15,675.30</b>	<b>19,954.40</b>	<b>16,510.50</b>	<b>17,025.4</b>
<b>DEBT REPAYMENT</b>	<b>3,024.90</b>	<b>2,515.00</b>	<b>3,020.70</b>	<b>3,063.80</b>	<b>6,025.7</b>
7.1 Domestic (Net)	50.60	124.60	176.60	101.10	2,400.2
7.2 External (Cash)	2,974.30	2,390.40	2,844.10	2,962.70	3,625.5
<b>OVERALL BALANCE</b>	<b>(21,187.80)</b>	<b>(13,729.50)</b>	<b>(15,204.80)</b>	<b>(15,800.20)</b>	<b>(15,458.9)</b>
<b>TOTAL FINANCING</b>	<b>21,187.80</b>	<b>13,729.50</b>	<b>15,204.80</b>	<b>15,800.20</b>	<b>15,459.1</b>
9.1 External	12,839.90	8,643.60	11,243.90	12,826.30	12,199.5
9.2 Domestic	6,347.90	5,085.90	3,960.90	2,973.90	3,546.0
9.3 Divestment (net)	2,000.00	-	-	-	(286.4)
<b>Total Domestic and External Debt Service as a % of Current Revenues</b>	<b>19.0</b>	<b>21.9</b>	<b>26.6</b>	<b>26.7</b>	<b>38.6</b>

## **WHO GETS WHAT IN 2003**

### **Current Non-Interest Expenditure**

In this section we consider how the budgeted expenditure is allocated among competing Ministries, Departments, Programmes and Projects.

Central Government's non-interest current expenditure (employment costs and other charges) for the year is budgeted at G\$38.119Bn which is 13% more than revised 2002. The Ministries/ Departments with the most significant allocations are:

Ministries/Departments	2003		2002 revised		% Inc.
	\$ (Mn)	%*	\$ (Mn)	%*	
Ministry of Finance	7,444	19.53	6,136	18.11	<b>21.32</b>
Ministry of Foreign Affairs	1,501	3.94	1,346	3.97	<b>11.52</b>
Office of President	1,198	3.14	1,059	3.13	<b>13.13</b>
Ministry of Education	4,162	10.92	3,813	11.26	<b>9.15</b>
Ministry of Labour, Human Services & Social Security	1,420	3.73	1,311	3.87	<b>8.31</b>
Ministry of Home Affairs	3,687	9.67	3,363	9.93	<b>9.63</b>
Guyana Defence Force	2,738	7.18	2,702	7.98	<b>1.33</b>
Georgetown Public Hospital Corporation	1,879	4.93	1,613	4.76	<b>16.49</b>
Ministry of Health	2,272	5.96	1,895	5.59	<b>19.89</b>
* Percentage of total current expenditure					

As in the previous year, the Ministry of Finance, Ministry of Education, Ministry of Home Affairs and Guyana Defence Force receive the most significant allocations. Separate allocations are provided for the Ministry of Foreign Trade and International Cooperation and the Ministry of Amerindian Affairs. The regions with the most significant allocations are:

Region	2003		2002 revised		% Inc.
	\$ (Mn)	%*	\$ (Mn)	%*	
No.4 Demerara/Mahaica	1,373	<b>16.12</b>	1,275	<b>17.01</b>	<b>7.69</b>
No.6 East Berbice Corentyne	1,613	<b>18.93</b>	1,474	<b>19.66</b>	<b>9.43</b>
No.5 Mahaica/Berbice	753	<b>8.84</b>	647	<b>8.63</b>	<b>16.38</b>
No.2 Pomeroon/Supenaam	935	<b>10.98</b>	844	<b>11.26</b>	<b>10.78</b>
No.10 Upper Demerara/Berbice	879	<b>10.32</b>	721	<b>9.62</b>	<b>21.91</b>
No.3 Essequibo Islands/West Demerara	1,399	<b>16.42</b>	1,196	<b>15.95</b>	<b>16.97</b>
* Percentage of regional allocation					

Significant changes from the previous year's latest estimates occurred in the following Ministries/ Departments:

Ministries/Departments	2003	2002	Difference	% Inc./ (Dec)
	\$ (Mn)	\$ (Mn)		
Ministry of Housing and Water	360	643	(283)	(44.00)
Ministry of Finance	7,444	6,136	1,308	21.31
Ministry of Health	2,272	1,895	377	19.91
Ministry of Education	4,162	3,813	349	9.15
Ministry of Home Affairs	3,687	3,363	324	9.63
Georgetown Public Hospital Corporation	1,879	1,613	266	16.47
Ministry of Foreign Affairs	1,501	1,346	155	11.50
Ministry of Public Works and Communications	907	763	144	18.89
* Percentage of total current expenditure				

The main Ministry, where budgetary allocation decreased over 2002, was the Ministry of Housing and Water (**\$283Mn**). The main increases in the allocations are as follows: The Ministry of Finance **\$1,308Mn**, Ministry of Health **\$377Mn**, Ministry of Education **\$349Mn**, Ministry of Home Affairs **\$324Mn**, Georgetown Public Hospital Corporation **\$266Mn**, Ministry of Foreign Affairs **\$155Mn**, Ministry of public works and Communications **\$144Mn**.

### Capital Expenditure

Central Government's capital expenditure for the year is budgeted at **G\$24.75Bn** which is **37%** above revised 2002 and **39%** of total 2003 expenditure. The Ministries/ Departments with the most significant capital expenditure allocations are:

Ministries/Departments	2003		2002		% Inc./ (Dec)
	\$ (Mn)	%	\$ (Mn)	%	
Ministry of Finance	9,200	37	3,756	21	144.94
Ministry of Public Works & Communications	4,667	19	3,648	20	27.93
Ministry of Education	2,147	9	2,758	15	(22.14)
Ministry of Housing and Water	2,953	12	3,255	18	(9.28)
Ministry of Agriculture	1,072	4	792	4	35.38
Ministry of Local Gov't & Regional Devel.	1,125	5	1,128	6	(0.23)
Guyana Defence Force	147	1	168	1	(12.46)
* Percentage of total current expenditure					

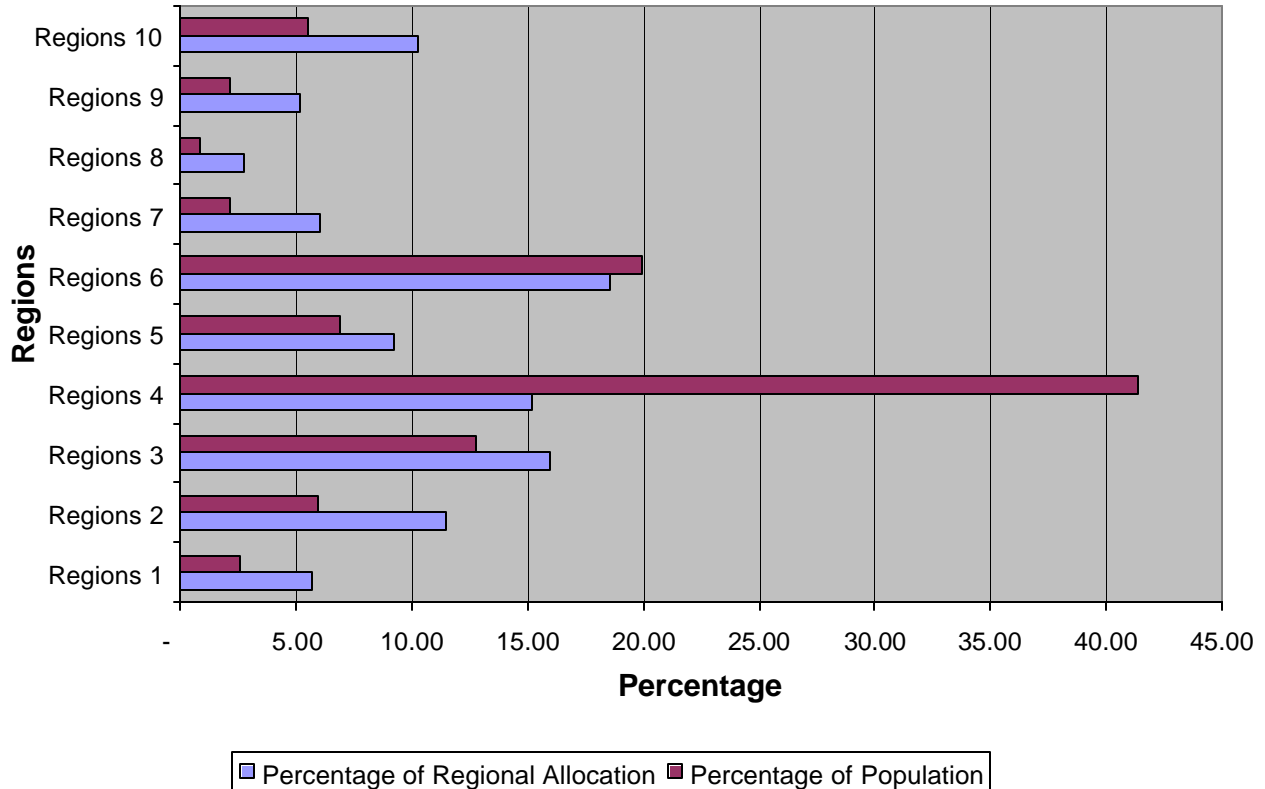
The substantial increase in the capital budget for the Ministry of Finance is accounted for by the onlending to GUYSUCO (\$5,412 Bn) and loan to Linmine (\$2,500Bn).

### Regional Allocations

Region 6 (East Berbice/Corentyne) whose share of the country's population is about 20%, received approximately 18.6% of the total current expenditure amount allocated to the regions. The situation regarding the total expenditure allocation is similar. Region 6 gets 19% while the even smaller

Region 3 (Essequibo Islands/West Demerara), with a population share of 12.5% gets 16% of the amount of the regional expenditure, which compares to a similar amount in 2002. On the other hand, Region 4, with 42% of the country's population receives only 15.2% of the total expenditure allocated to the regions.

**Percentage of Regional Allocations to Population Totals**



**Ram & McRae's Comments**

These percentages remain largely unchanged from the previous year. Region 4 has the greatest unfavourable disconnect between population and expenditure while Region 6 receives an allocation that is almost commensurate with its population.

**2003 BUDGET MEASURES****MAIN BUDGET MEASURES**

Increase the income tax threshold from \$216,000 to \$240,000 per annum.

10% consumption tax on all domestic telephone calls effective April 01, 2003.

Introduce Value Added Tax (VAT) by 2006.

Increase in withholding tax from 15% to 20% on interest income and from 10% to 20% on payments other than interest to non-residents.

**COMMENTS**

In nominal terms, the increase of \$2,000 per month equates to an 11.1% increase. However, when related to purchasing power at rates of exchange at the relevant dates a different picture emerges. \$18,000 in 1997 was worth US\$125 while \$20,000 in 2003 is worth US\$104, equivalent to a decline of 16.8%.

Prior to this, consumption tax only applied to overseas telephone calls.

While this is the first time that a firm date is set, the Minister did not indicate whether there is an operational plan or any road map to achieve this ambitious target. It would be extremely unusual and even dangerous to introduce a major, complicated tax in what is scheduled to be an election year.

This will reduce the relative advantage which savings enjoy over other forms of income. Persons who rely entirely on savings will lose while lenders may raise interest rates to make up for the reduction of post-tax income. Focus supports the increase in the rate of withholding tax.

## **COMMENTARY AND ANALYSIS**

Guyana ranks among the poorest countries in the Western Hemisphere in company with Haiti and Nicaragua. The Poverty Reduction Strategy had as its focus the reduction of poverty in the context of accelerated economic growth and improved social conditions. Average GDP for the five-year programme was projected at 4% p.a. That modest goal is now clearly unattainable but the implications of shortfalls are not sufficiently addressed if at all in the PRSP. While the political climate has had some impact on economic performance it seems that the greater problem and causes lie in the failure to take the required action within the timelines set. Missed targets include establishing the office for stock exchange by July 2000, enforcement of compliance with local consumption tax in 2001 and enhancing the efficiency of delivery of Public Sector Services with a Technical Assistance component in September 2000.

The execution capabilities and managerial expertise of both the Cabinet as well as the public service fall short of the standards required to bring about accelerated economic growth. Without significant improvements in these areas, Guyana will continue to languish among the poorest in the region

### **Corruption**

Not once was the word corruption mentioned in the fifty-one pages of the Minister's Speech. The annual reports of the Auditor General continues to highlight numerous cases of corruption while in the capital programme, it is believed that a not insignificant percentage is lost through weak tendering procedures, substandard work and corruption. The Minister cannot not understand the reasons behind the insistence by the IFI's for disclosure of public officials' assets, reform of the tendering procedures and transparency in the tax system.

In addition to the measures outlined above, a fully equipped, effective and independent Auditor General is a measure which can act both as a deterrent as well as a control for identifying at early stages opportunities for and actual cases of fraud and corruption.

### **The Revenue Authority**

Despite being in operation for more than two years, the Authority is yet to publish an Annual Report. It is currently headless. It receives considerable sums by way of subvention including a 43% increase budgeted for 2003. It must provide an adequate return on those funds. It has the mandate and the duty to enforce the tax laws against anyone and everyone. It knows who the tax dodgers are and carries in its hands the not inconsiderable weight of the law. In doing its job, it must allow no one to stand in its ways - even if it leads to the jail.

### **The parallel economy**

Recent studies and information suggest that the underground economy is quite substantial, perhaps as high as 30% of GDP. Focus has made some rough calculations of the illicit trade in fuel alone and the numbers are frightening. There is also the growing importance of remittances from non-resident Guyanese which according to recent estimates amount to approximately 15% of GDP. These phenomena suggest a huge hole in the economy over which control is very difficult. They pose both challenges and opportunities but they do not lend themselves to conventional approaches. It is important that the Government seek to determine the scale of these activities as a first step to facilitating their contribution to the economy.

## **Governance**

The success of a budget is always dependent on the success of the private sector. Public confidence in the reporting practices of this sector is sadly low internationally. Good governance practices are needed in our major private and public corporations as much as it is needed within the Government.

Reforms in the United States include the Sarbanes-Oxley Act and new listing requirements of the New York Stock Exchange. Such reforms will no doubt need to be remodeled to suit Guyana's needs through the recently established Guyana Securities Council to ensure that the level of public confidence in our private sector is high. The operationalising of the Securities Council has been a positive development in 2002 while the Institute of Chartered Accountants of Guyana is now more committed to ensuring that accounting standards it adopts are applied consistently.

The application of better corporate governance will inspire confidence in the private sector and add authority to its voice on national issues.

## **Conclusion**

Even if the Minister did not have the considerable political divisions in the country to contend with, the state of the economy requires strong, imaginative and focused management to turn it around. It is difficult to see how the measures identified in the Speech will lead to achieving the goals identified by the Minister. Where are the policies to attract investments and why does the Minister tell us about the level of unemployment internationally but not locally? Why is he not prepared to meaningfully widen the tax net and reduce discretionary waivers and exemptions? Had he done so he would have been able to respond far more favourably to the workers' anguished call for relief.

The challenge is indeed formidable but the Minister needs to show more confidence in his own ability and those of his team. He needs to understand the challenges of labour and the private sector with which he can and should have meaningful dialogue. Rebuilding the economy will require not only teamwork but partnerships as well. Combining with these two groups could go a long way to meeting the challenge.

**LEGISLATION 2002****Appendix 1**

<b>Legislation</b>	<b>Name of Act</b>	<b>Objective</b>	<b>Assented Date</b>
<b>Act No. 1 of 2002</b>	Appropriation Act 2002	To provide for the issue from the Consolidated Fund of the sums necessary to meet the expenditure of Guyana for the financial year ending 31 <sup>st</sup> December 2002.  The Act authorises the Accountant General to issue from the Consolidated Fund, a sum not exceeding \$56Bn to defray charges and expenses of the Government for the financial year.	May 9, 2002
<b>Act No. 2 of 2002</b>	Energy Sector (Harmonisation of Laws) Act 2002	To harmonise laws governing regulatory functions in the restructured electricity and energy sectors.  The Act amends the Hydro-Electric Power Act to specify that any public undertaking to sell electricity do so under approved terms and conditions and that the rates be governed by the Public Utilities Commission.	June 5, 2002
<b>Act No. 3 of 2002</b>	Guyana Tourism Authority Act 2002	To provide for the incorporation of the Authority, to define its functions and for matters connected therewith or incidental thereto.  Specifies the members, functions and other operational rules of the Authority. Also outlines the requirement for licensing of any local tourism business.	June 11, 2002
<b>Act No. 4 of 2002</b>	Motor Vehicles and Road Traffic (Amendment) Act 2002	Amends the Motor Vehicles and Road Traffic Act to provide for the wearing of seat belts by every person driving or riding in the front seat of a motor vehicle, unless the person is exempted as specified in the Act. The Act also specifies the fine for non-compliance.	May 30, 2002
<b>Act No. 5 of 2002</b>	Water and Sewerage Act 2002	To provide for the ownership, management, control, protection and conservation of water resources, the provision of safe water, sewerage services and other related services.  The Act establishes a National Water Council to provide advice to the Minister, review the national water policy and make amendments and manage the national water policy among other functions. The Act specifies the guidelines for operation of the Council.	May 28, 2002

Legislation	Name of Act	Objective	Assented Date
Act No. 6 of 2002	Procurement Act 2002	To provide for the regulation of the procurement of goods, services and the execution of works to promote competition among suppliers and contractors and promote fairness and transparency in the procurement process.  The Act sets out the objectives of maximising economy & efficiency, fostering and encouraging participation by suppliers/ contractors among others. The criteria for suppliers/ contractors is set out as well as other operational issues and the Act establishes the National Procurement and Tender Board.	June 28, 2002
Act No. 7 of 2002	Criminal Law (Offences) (Amendment) Act 2002	An Act to amend the Criminal Law (Offences) Act. To deal with punishment for and measures for dealing with Acts of terrorism.	October 01, 2002
Act No. 8 of 2002	Prevention of Crimes (Amendment) Act 2002	This Act, which amends the Prevention of Crimes Act, provides for deportees to Guyana to be monitored by the Police.	October 01, 2002
Act No. 9 of 2002	Racial Hospitality (Amendment) Act 2002	This Act, which amends the Racial Hospitality Act, provides for substantial increases in penalties for offences under the Act.	October 01, 2002
Act No. 10 of 2002	Evidence (Amendment) Act 2002	This Act adds new provision regarding the admissibility of evidence.	October 01, 2002

Orders - 44 (mainly Public Corporations Act & Labour Act)  
Regulations - 16 (mainly Securities Industry Act)  
Notices - 3 (Hydro-Electric Power Application)