

FOCUS ON GUYANA'S

BUDGET 2006

 **Ram & McRae**
Chartered Accountants
Professional Services Firm

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About this Publication

Focus on Guyana's National Budget is an annual publication of **Ram & McRae** and highlights, reviews and comments on the major issues surrounding and raised in the National Budget. **Focus 2006** is the sixteenth in the series which is circulated among politicians, the business community, the country representatives and international agencies operating in Guyana and member firms of Ernst & Young.

The contents of this publication are not intended to take the place of the text of the Budget Speech or of a professional advisor. This analysis is prepared and distributed on the understanding that **Ram & McRae** is not engaged in rendering professional services to the reader. If financial or other expert assistance is required, please contact the Firm.

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Ram and McRae also offers the public a unique compilation of Guyana's legislation (and advice thereon) including:

- **Consolidated Tax Laws of Guyana** (comprising Income Tax (in Aid of Industry), Income Tax, Corporation Tax, Property Tax, Capital Gains Tax, Revenue Authority and Hotel Accommodation Tax Acts, and the double taxation treaties signed by Guyana). These are also available individually.
- **Companies Act, 1991**
- **NIS Act, Cap 36:01**
- **Mining Act, 1989**
- **Petroleum (Exploration & Production) Act, 1986**
- **Petroleum (Production) Act, Cap 65:05**
- **Termination of Employment & Severance Pay Act, 1997**
- **Trade Union Recognition Act, 1997**
- **Dealers in Foreign Currency (Licencing) Act, 1989**
- **Foreign Exchange (Miscellaneous Provisions) Act, 1996**
- **Financial Institutions Act, 1995**
- **Securities Industry Act, 1998**
- **Insurance Act, 1998**
- **Value Added Tax, 2005**
- **Excise Tax, 2005**

Other publications by the Firm, most of which are available on our website, are:

- Handbook on the Companies Act, 1991 (originally published in 1998 and currently being revised)
- The Annual Guyana Business Outlook Survey 1995-2006 (except 1998)
- Guyana Investors Information Package
- Focus on Guyana's National Budget 1991 - 2006
- Business Page (weekly column in the *Sunday Stabroek* by the Managing Partner)

About Ram & McRae

Established in 1985, **Ram & McRae** has distinguished itself in the field of professional services both in Guyana and abroad. Our client focus, commitment to professionalism and our continuous search for excellence are the sources of our unchallenged reputation among professional firms.

We have secured a premier place in the provision of taxation and advisory services to local and international business operators. Our affiliation with Ernst & Young and other international partners gives us access to worldwide resources which ensures that our clients benefit from business ideas, opportunities and solutions that place them in leadership positions in their industry.

Our partners

Christopher Ram, FCCA, ACMA, ACIS

Managing Partner and founder of the firm with overall responsibility for quality assurance, Christopher has in excess of 25 years experience in senior positions in international auditing firms and was Financial Consultant to a regional government for several years.

Christopher has extensive experience in public sector and non-governmental organisations where value-for-money considerations are a top priority.

He has served on both the Caribbean and UK Accountancy bodies and has conducted seminars and made presentations on various business and economic issues in Guyana and the Caribbean.

Robert V. McRae, CPA, BSc., FLMI

Robert has more than twenty-three years experience in the areas of audit and accounting and insurance in Guyana and the United States of America.

He served as Finance Manager at the Colonial Life Insurance Company in Guyana for more than eight years and has a comprehensive knowledge of the industry. His extensive experience in the insurance industry encompasses specific knowledge in the areas of benefits consultation in both the US and Guyana.

Rakesh V. Latchana, ACCA

Rakesh was admitted to the partnership on January 1, 2006 as the firm prepares for the challenges faced by our varied clientele, including the Caribbean Single Market and Economy and the introduction of Value Added Tax in Guyana.

Rakesh qualified as a Chartered Certified Accountant in 1998 among the top 25 students in the world and became a fellow of the Association of Chartered Certified Accountants in June 2004. He is also a practising member of the Institute of Chartered Accountants of Guyana (ICAG) and serves on the Technical and Continuing Professional Development Committees of the Institute.

Rakesh is responsible for the management of the Firm's audit and information technology functions.

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Pre-Budget Comments

The trend to which Ram & McRae has referred in recent years whereby there is no public interest in the National Budget has continued into 2006 with little interest shown even by the electronic and print media. Public documents available through the international financial institutions (IFIs) indicate that once Guyana remains bound to the increasingly unpopular Washington Consensus model of economic development the budget is pre-determined not here in Guyana but in the offices of the IFIs.

The absence of any public discussion, the surprising announcement of the budget date made not out of the Ministry of Finance but by the President on one of his walkabouts left many unprepared for the submission of recommendations which in any case proved purely academic.

Private Sector Commission

The PSC was invited to meet with President Bharrat Jagdeo on January 16 for consultations on Budget 2006, described as "an important aspect" of the budget preparation process. At the meeting held at Office of the President, the President told the PSC that he was not in favour of the ad hoc consultations, was aware of their regular wish lists and did not need for them to make a presentation. Instead, he decided to brief them on the economic framework underlying the Budget and on the current state of the economy. According to the President of the Georgetown Chamber of Commerce and Industry (GCCCI) all participants left the meeting with a feeling that they had been meaningfully engaged.

Trade Unions

Among the trade unions, the Guyana Agricultural and General Workers Union (GAWU) and National Association of Agricultural, Commercial and Industrial Employees (NAACIE), two unions with influence on the Government, and the umbrella body the Guyana Trade Union Congress (TUC), submitted proposals.

TUC

The TUC's submission was conciliatory and in it the body sought some kind of rapprochement with the Government while thanking it for its financial support in the form of an annual subvention to the Critchlow Labour College.

1. Noting that the umbrella body's relations with the Government are 'somewhat fractured', the TUC expressed determination to restore the relationship to normalcy and for the institutionalisation of social dialogue.
2. The body lamented the practice by the Government over the preceding five years to impose unilaterally and arbitrarily across-the-board wage increases in the public sector which it claimed did not contribute to an improvement in employer-employee relations and seriously impacts on production efforts and the performance of the economy.
3. The TUC expressed concern with the action or rather lack of action to address the serious threat to the future of the National Insurance Scheme which could find itself in difficulties, if not in cash flows then certainly in actuarial terms. The most recent Actuarial Study indicated that the reserves would become exhausted unless contribution rates are increased.
4. In relation to unemployment, the TUC recommends a national programme to create new and continuous and sustainable jobs.

5. The TUC described as a source of concern the withdrawal 'without any communication' of a Government Grant which it had enjoyed since 1972.

6. The body observed that over the years the tax burden had been borne disproportionately by wage and salary earners and expressed the fear that the introduction of VAT would exacerbate this situation. It called for a revision of the tax rates and threshold along the lines of their 2005 Budget submission.

GAWU and NAACIE

In a press release dated 20 January 2006 the two major trade unions requested increases in the income tax thresholds from the present \$20,000 per month to \$28,000.

A comparative analysis of the larger CARICOM member states shows Guyana with the stingiest level at which tax becomes payable:

Country	Annual Personal Allowance (US\$)
Barbados	12,500
Trinidad & Tobago	9,640
Jamaica	3,101
Guyana	1,501

Kaiteur News

The eclectic columnist Peeping Tom predicted announcements of salary increases for all public servants, a \$4 billion fund to secure interest free loans to farmers and increases in fees for obtaining passports and birth certificates to \$10,000 and \$1,000 respectively.

Ram & McRae's comments

While the President believes that budget consultations are an important aspect of budget preparation, he did not seem interested in taking the necessary steps to make the consultation process meaningful. After all, he invited the Private Sector to consult seven days before the budget was to be laid in Parliament.

The President's statement on lowering the threshold suggests that he is unwilling to give relief to anyone but the lower income employees, which in reality means those employed in the public sector. Many of the employees of the private sector would therefore not be entitled to any benefits under this policy. One would remember the disclosures made by Ram and McRae of the blatant disregard for the tax laws by none other than those in the Office of the President and the high level of tax free US\$ salaries enjoyed by some individuals, in the public sector. With migration being a key issue affecting the private sector, and indeed the development of the country as a whole, it is surprising that no measures are in place to check the drain of the country's key resource. We therefore believe that the statements made by the private sector bodies after the 'consultations' are a measure of their docility and low expectations.

Leaders of private sector organisations are elected to represent all their members but increasingly these persons seem unwilling to take any position that may make them unpopular with the politicians to the detriment of their own business.

As part of their own commitment to transparency they should disclose to their membership any benefits or concessions received from the Government of the day.

In our Business Outlook Survey for 2006, we noted that for the third year running, the business community again expressed very little optimism in our economy.

Unfortunately and ironically just as the TUC was seeking reconciliation with the government, the government was tabling the Trade Union Recognition Bill which would effectively strip the TUC of its principal residual powers.

Introduction

Gross Domestic Product at 1988 Prices by Industrial Origin

Sector	Actual				Revised		Budget 2006	Compound Inc/(Dec)
	2000	2001	2002	2003	2004	2005		
Total	5,352	5,474	5,536	5,501	5,587	5,419	5,654	0.25%
Sugar	846	880	1,024	935	1,006	761	974	(2.10%)
Rice	180	199	177	218	200	171	178	(1.02%)
Livestock	116	119	125	130	133	129	125	2.15%
Other Agriculture	278	281	285	291	297	291	279	0.92%
Fishing	164	165	159	159	157	157	159	(0.87%)
Forestry	189	195	180	183	184	195	203	0.63%
Mining & Quarrying	626	652	607	554	518	426	360	(7.41%)
Manufacturing	309	309	316	309	309	315	322	0.39%
Distribution	425	427	423	412	420	456	474	1.42%
Transport & Communication	480	506	529	555	575	629	654	5.56%
Engineering & Construction	452	461	443	468	487	533	557	4.12%
Rent of Dwellings	92	94	94	97	98	103	104	2.28%
Financial Services	309	293	290	293	296	315	322	0.39%
Other Services	198	204	204	210	213	230	235	3.04%
Government	689	689	682	686	694	708	708	0.55%

Source: Annual estimates

The seventh budget speech of Minister of Finance Mr. Saisnarine Kowlessar represented the first G\$100Bn budget in the history of the country and reflects an 11.5% increase over the latest estimate for 2005. The main aspects of the speech are set out on page 9.

It was the third earliest presentation of a national budget since 1993 and comes months before the constitutionally due general elections which the Minister predicted would see the mandate of the PPP/C renewed. Even though the Minister spent some time dealing with the flooding of 2005, he gave no explanation for his failure to present the supplemental budget he promised in his 2005 speech which would have been prepared after an assessment of the effect of the flood to 'inform the modification of revenues, expenditures and the macro-economic projections in the 2005 Budget'. This was not the only failure of the Minister to execute his ministerial obligations and statutory and constitutional functions, and weakens his reputation for accountability and indeed the proper and competent performance of his duties.

The 2006 Budget is presented against the background of flooding in key areas and the country and the Minister once again promises to 'monitor developments closely and keep the House informed on the economic and financial implications of these developments' - no doubt hoping that the members on both sides of the House will believe him this time around.

The Minister reported that 'the new Drainage and Irrigation Board was assented to, and the process to convert the NDIB to the National Drainage and Irrigation Authority has commenced'. Perhaps what the Minister was referring to would have been the belated issuing of the Order in December 2005 to bring the Act into force, more than eighteen months following the actual assent by the President. A cynic might be tempted to wonder if it was not the recurrence of flooding that began in that month that prompted the

Government to act on the Act and deal with the persistent flooding which threatens the country.

It was an extraordinarily long speech (some 3,500 words more than the 16,000 odd words in 2005), written well before President Jagdeo had acknowledged the meaninglessness of the annual consultations and effectively suspended them. It therefore begs the question as to the basis for the Minister's statement that the Budget was 'informed by the views of the private sector bodies, labour unions and ordinary Guyanese.'

Most people would have great difficulty in accepting the reported outturn of negative 3% in real GDP when the decline in the first half of 2005 was a more realistic 5.9%. With sugar, rice and gold performing poorly in the second half as well, the other sectors of the economy would have had to do impossibly well to result in the second half growth. Inflation at 8.3% was second highest in the past ten years, attributed by the Minister to the high food prices due to the flood and spiralling oil prices. While allowance has to be made for the effects of the floods, the combination of negative growth and high inflation are a troubling development as we approach the year when the EU sugar price cut kicks in.

The major tax measure in the Budget is the increase in the personal allowance from \$240,000 to \$300,000, an increase of 25%. However if the allowance is placed in a historical, technical and competitive context it no longer seems attractive. In real terms it is some G\$52,924 less than the real value of the 1997 personal allowance.

Two months after the PPP/C and the PNC-R voted to support the National Development Strategy (NDS), the only reference to that document appears in the section dealing with Foreign Policy and International Cooperation. What about poverty alleviation and development? Are these not issues in the NDS?

The Minister projects a financing deficit of \$29Bn. or 50% of current revenue and expects this to be financed by a combination of external sources (\$18Bn.) and the balance from domestic sources. Total domestic and external debt service as a percentage of Current Revenue is projected to increase from 11.6% in 2005 to 15% in 2006.

Critical issues that have not been addressed include unemployment and the National Insurance Scheme which has drawn concerns from a number of sources including technical experts about threats to its financial viability in the absence of some major corrective action. Meanwhile football gets more money than training for the Police Force¹ despite crime being one of the major concerns of the populace and one of the reasons for the continuing migration of people and skills.

As shown in the table below we have computed the compounded growth rates of the various sectors of the economy. The overall compounded increase between 2000 and 2005 was 0.25% with the majority of sectors recording increases - ranging from 5.56% (Transport and Communication) to 0.39% (Financial Services and Manufacturing). Decreases are reported for Mining and Quarrying, Sugar, Rice and Fishing of 7.41%, 2.1%, 1.02% and 0.87% respectively.

The Minister commented favourably on the increase in manufacturing in 2005 which he attributed to the growing prominence and activities of small businesses and micro-enterprises - activities that are extremely difficult to measure.

¹ See page 195, Estimates, 2006 Current and Capital Revenue and Expenditure

Speech Highlights

2005 Facts

Decline in real GDP of 3% compared to a target of 2.2% and actual contraction of 0.8% in 2004

Overall balance of payments improved from a deficit of US\$43.1Mn in 2004 to a surplus of US\$8.1Mn in 2005

The 91-day Treasury bill rate decreased from 3.79% to 3.74%

Inflation rate of 8.3% compared to a target of 5.6% and 2004 rate of 5.5%

Depreciation of the Guyana Dollar by 0.25% to \$200.94 at year end compared to 200.44 in 2004.

Increase in Current Revenue collections by 8.4% from G\$51.7Bn in 2004 to G\$56.1Bn

Current expenditure of \$56.7Bn, an increase of \$6.5Bn or 12.9%

Minimum public sector wage increased by 7% to \$24,828 per month

Decline in sugar production of 24.4%, diamonds of 19.8%, rice of 14.1% and gold of 26.3% with an increase in bauxite of 6%

Exports valued at US\$548.9Mn (decrease of 6.8%) compared to imports of US\$785.4Mn (increase of 21.4%) resulting in a trade imbalance of US\$236.5Mn up from US\$114.2Mn in 2004 and US\$54.6Mn in 2003

Current account deficit of US\$167.1Mn (2004 US\$128Mn) and net inflows on the capital account of US\$181.2Mn (2004 - US\$89.9Mn)

Financial Targets - 2006

Size of the Budget: \$102.9Bn, 11.5% increase

Inflation of 6.3% with growth in Real GDP of 4.3%

Current revenue of \$58.5Bn, an increase of 4.4% over 2005

Balance of payment surplus to decline to US\$6.7Mn

Current expenditure of \$59.3Bn, an increase of 4.7% over 2005

Overall deficit of non-financial public sector to increase from 13.6% to 13.7% of GDP

Decrease in overall deficit after grants to \$25.1Bn or 14.7% percent of GDP

Estimated total expenditure of \$83.5Bn, 5.6% more than in 2005

Capital expenditure increased by \$42Bn compared to \$35Bn in 2005

Budget Measures

Increasing personal allowance from \$240,000 to \$300,000 per annum and replacing the current mildly progressive income tax rates of 20% and 33 1/3% with a single rate of 33 1/3%

An increase in old age pensions and public assistance by 75%

Introduction of Valued Added Tax and Excise Tax effective January 1, 2007

Review 2005

Economic Targets

Item	2004 Budget	2004 Actual	2005 Budget	2005 Actual	2006 Budget
	%	%	%	%	%
Real GDP growth	2.5	1.6	2.2	-3	4.3
Sugar	8.6	7.6	3.9	-24.4	28
Rice	1.4	-8.3	12.1	-14.1	4.5
Livestock	2	2	5.5	NA	-3
- poultry meat	NA	NA	NA	-6	
- Egg production	NA	76.9	NA	NA	NA
Other agriculture	2	2	5	NA	NA
Forestry	0.5	0.5	4	6	4
- logs	NA	32	NA	NA	NA
- sawn wood	NA	3	NA	NA	NA
- round wood	NA	42	NA	NA	NA
Fishing	0.5	-1	5.5	NA	1
Mining and Quarry	-3	-6.6	-24.9	-17.7	-15.4
- Gold	-5.5	-7.3	-39.5	-26.3	-40
- Diamonds	1.8	3	2.1	-19.8	-5
- Bauxite	-10.5	-12.4	51.7	6	77.6
Manufacturing	1.5	0	4	2	2
Engineering and construction	3	4	6.5	9.5	4.5
Services	NA	2.3	NA	4.6	NA
- transport and communication	3	3.5	7	9.5	4
- distribution and rent of dwellings	NA	2	NA	NA	NA
- distribution	2	NA	5.9	8.5	4
- rent of dwellings	1.5	NA	4.8	4.5	1.5
Financial Services	1	1	5.5	6.5	2
Other Services	1.6	1.6	4.8	8	2
Government	1.5	1.1	1.3	2	0

NA Not available

Source: Annual budget speeches

2005 Global Facts

The global economy grew by 3.2% in 2005 and is projected to grow at the same rate in 2006.

World trade growth rate fell from 7.5 in 2004 to 6.2% in 2005 but is projected to increase by 7% in 2006 but this reflects a projected increase in oil prices and a decreased in prices of non-oil commodities.

The Global Economy

The expansion in the global economy was largely driven by the United States of America, China, India and Japan. High oil prices, a drawn-out war in Iraq and major natural disasters have all affected the performance of the global economy in 2005. With tensions escalating between Iran and the more developed countries, 2006 promises to be an eventful year.

2006 Local Facts

	Target 2006	Actual 2005	Target 2005
Real GDP growth	4.3%	-3.0%	2.2%
Inflation rate	6.3%	8.3%	5.6%
Current account deficit of the balance of payments	US\$198Mn	US\$167.1Mn	US\$149Mn

The Domestic Economy

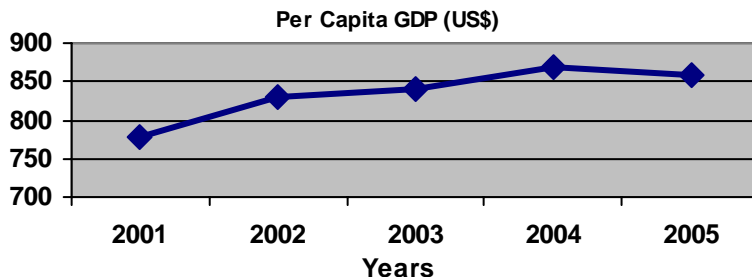
There was a decline of 3% in real GDP compared with positive growth of 1.6% in 2004. The target growth rate was 2.2% but for the first half of the year the economy had a negative growth of 5.9%.

This decline is as a result of the major sectors of the economy such as sugar, rice and mining and quarrying falling short of projected targets in 2005. These shortfalls have been attributed to the severe 2005 flooding and high oil prices. Sugar, a key contributor to the economy, fell by 24.4% to 246,050 tonnes, while rice recorded a decline of 14.1% in production to 277,531 tonnes. With the exhaustion of the OMAI gold mine, the mining and quarrying sector declined for the fourth consecutive year with gold and diamond production declining by 26.3% and 19.8% respectively. The restructured bauxite sector recorded an increase in production of 6% for the second consecutive year.

According to the Minister the fishing sub-sector was badly affected by the high cost of fuel resulting in the sub-sector not growing in 2005. The agriculture sector was also affected, losing over 80% of cash crops. All sub-sectors of the services sector performed exceptionally well with transportation and communication, distribution, and rent of dwellings recording growth 9.5%, 8.5% and 4.5% respectively. Public investment in infrastructural projects such roads, sea defences, bridges, etc. was the leading cause for the engineering and construction sub-sector to record a growth of 9.5%.

The manufacturing sector contributed 2% to the overall growth of the economy which the Minister attributed to increased foreign and local investment enabling the expansion of existing products and the development into new activities.

Per capita GDP for 2005 was US\$857.3 compared with US\$868.6 in 2004. (Per Capita GDP is the total output produced inside a country during a given year divided by the total population).



Source of information – Bureau of Statistics and MOF

Debt

As a result of the G8 debt relief initiative, also known as the Multilateral Debt Relief Initiative (MDRI) the Government would receive 100 percent cancellation of debts of approximately US\$65 million owing to the International Monetary Fund (IMF) and the International Development Association (IDA). The Government also signed a bilateral debt cancellation agreement in October 2005 to write-off US\$123.3 million of Guyana's debt obligations to Trinidad and Tobago. The Government continues to borrow significant funds and at the end of 2005, the stock of external debt increased by 2.73% from US\$1.08Bn to US\$1.10Bn. Debt repayments during 2005 amounted to G\$4.932Bn compared to G\$5.651Bn in 2004.

Balance of Payments Stated in US\$Mn			
	Actual 2004	Revised 2005	Budgeted 2006
Current Account	(70.00)	(167.10)	(199.80)
Merchandise Trade	(57.90)	(236.50)	(254.30)
Service (net)	(86.10)	(83.20)	(85.50)
Transfers	74.00	152.60	140.00
Capital Account	38.90	181.20	198.00
Capital transfers	45.90	52.10	55.00
Non-Fin. Public Sector	(31.40)	67.30	89.00
Private Sector Capital	30.00	76.80	75.00
Short-term Capital	(5.60)	(15.00)	(21.00)
Errors and Omissions	(12.00)	(6.00)	(4.90)
Overall Balance	(43.10)	8.10	(6.70)

Source of information - *Estimates of the Public Sector*

The current account on the balance of payment reflected a surplus of US\$8.1Mn in 2005 as compared to a deficit of US\$43.1Mn in 2004.

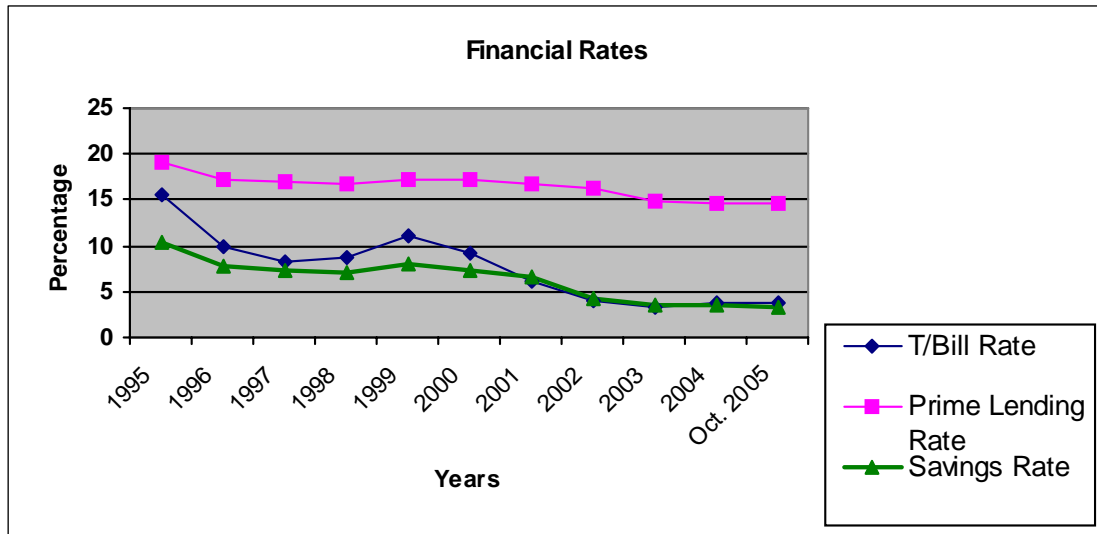
Public Sector Investment

Despite the constant complaint of lack of absorptive capacity and shortage of skills, the Public Sector Investment Programme (PSIP) disbursed approximately G\$32.5Bn in 2005.

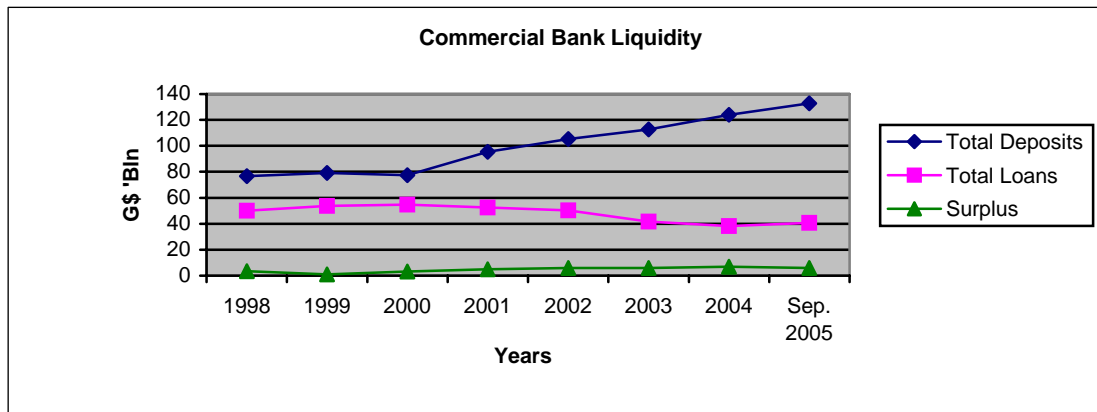
Banking and Interest Rates

91-day treasury bills rates decreased from 3.79% to 3.74% and saving rate also declined slightly from 3.42% to 3.38%. Additionally, the weighted average lending rate increased by 35% from 7.43 to 10.06 percentage points.

The following table shows the spread earned by the commercial banks as the financial rates continue to decline.



Source of information - BOG Statistics



Source of information - BOG Statistics

The Exchange Rate

According to the Minister there was a slight depreciation in the value of the Guyana dollar to the US dollar which G\$200.94 per US dollar. In 2004 there was a decline of 2.9%.

Ram & McRae's Comments

GDP: While the per capita GDP has certainly moved and poverty reduced, the per capita GDP has stayed resolutely below US\$900 and strong measures seem warranted to achieve any movement.

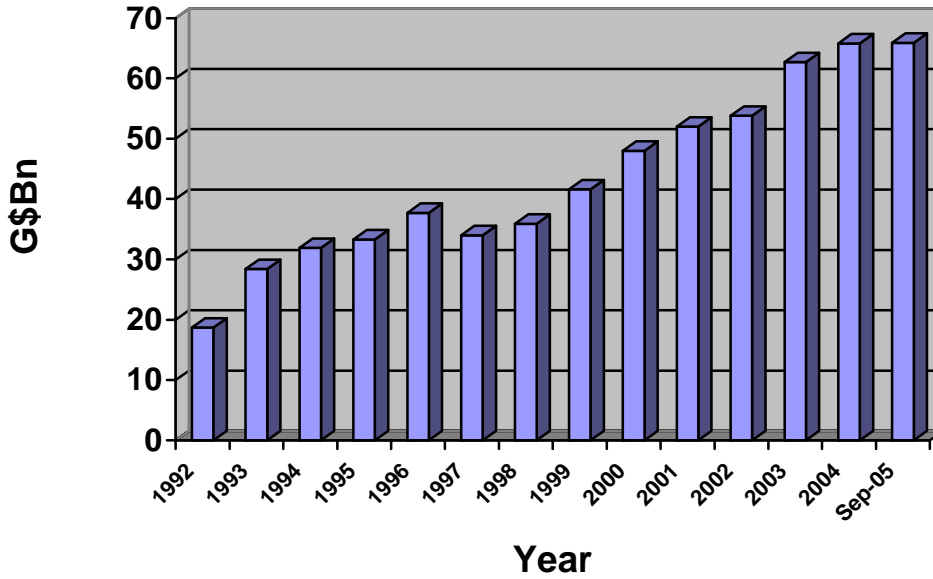
Debt: As with the 2005 Budget presentation the Minister when discussing the debt stock, paid virtually no attention to the domestic debt which has grown exponentially over the past 13 years, costing billions of dollars annually.

In dealing with debt management the Minister stated that a National New Financing Workshop was held last year. This workshop in addition to a one day seminar should assist in improving the quality of external financing. The Government established an Aid Strategy Task Force during 2005 which has responsibility for diversifying donors, mobilising additional high-quality grants and concessional loans,

accelerating disbursements, and implementing the National Debt and New Financing Strategy for Guyana.

The growth in the domestic debt from 1992 to October 2005 is shown in the following graph:

Domestic Public Debt

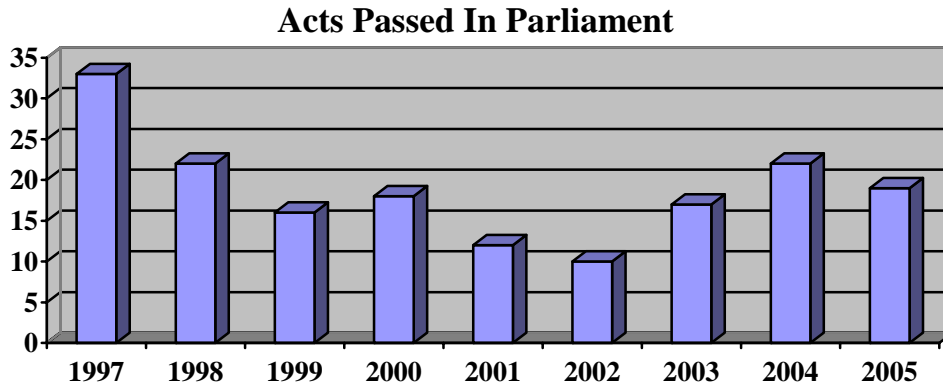


Source of information – BOG Statistics – All shown at December except

Interest spread: The graph on Financial Rates actually understates the effective spread since banks also hold large amounts of non-interest bearing deposits. Readers of Business Page, the Sunday *Stabroek* column will have seen the high profits and returns earned by the commercial banks in Guyana.

2005 Legislation

During the year 2005 the National Assembly passed 18 Acts (see Appendix A), compared with 22 in 2004.



The major pieces of legislation passed and assented to during the year were:

1. Customs (Amendment) Act 2004
2. The Combating of Trafficking in Persons Act 2004
3. Regional Health Authorities Act 2005
4. Ministry of Health Act 2005
5. Excise Tax Act 2005
6. The Value-Added Tax Act 2005
7. CARICOM Regional Organisation For Standards And Quality Act 2005

Customs (Amendment) Act 2004 was passed in the National Assembly on December 30, 2004 and assented to on January 11, 2005. The Act seeks to replace the First to Fifth schedules of the Customs Act. The First Schedule sets out the Harmonised System of 2002, replacing the 1996 system.

The Combating of Trafficking in Persons Act 2004 was passed in the National Assembly on December 30, 2004 but only assented to on April 7, 2005. The Act seeks to provide 'comprehensive measures to combat trafficking in persons' and includes provisions on protection of victims and witnesses and the establishment of a National Task Force for prevention of trafficking.

Regional Health Authorities Act 2005 was assented to on July 19, 2005 and gives authority to the Minister to establish regional health authorities to administer one or more health regions. This along with the Ministry of Health Act should be seen in the context of the National Health Plan 2003-2007 which aims to achieve major improvements in services and the nation's health. A Hospital and Health Care Facilities Licensing Act, Public Health Act and Food and Drugs Act are also anticipated under the Health Programme funded by the IFIs.

Ministry of Health Act 2005 was assented to on May 13, 2005 mainly to continue the Ministry with the responsibility for Health and came into effect on December 1, 2005 by Order 53 of 2005. The Act contains some key provisions including a list of duties for the Minister, the appointment of a Chief Medical Officer and a requirement to submit an annual report to the National Assembly.

The Value-Added Tax Act 2005 was assented to on July 18, 2005 replacing the Consumption Tax on imported and on locally produced goods as well as seven other taxes with a single Value-Added Tax

(VAT). The other taxes to be replaced are the Travel Voucher Tax, the Service Tax, the Premium Tax, the Hotel Accommodation Tax, the Entertainment Tax, the Purchase Tax, and the Telephone Tax. The effective date of this Act is January 1, 2007.

Excise Tax Act 2005, also assented to on July 18, 2005, provides for such taxes to be paid on goods imported or manufactured and sold in Guyana. The effective date of this Act is also Jan 1, 2007.

CARICOM Regional Organisation for Standards and Quality Act 2005 was assented to on August 4, 2005 giving effect to the Agreement establishing the CARICOM Regional Organisation for Standards and Quality (CROSQ), membership to which is open to Member States of the Community. The primary objectives of CROSQ are the establishment and harmonisation of standards for the enhanced efficiency and improved quality in the production of goods and services.

In addition, there were 56 Orders and 12 Regulations published by various Ministers under several Acts for which they bear Ministerial responsibility.

Ram and McRae's Comments

2005 Legislation

Even as we create new and novel legislation, we need to remember that several existing pieces of legislation are yet to be implemented while others require amendment and revision.

The Regional Health Authorities Act 2005 replicates legislation in other jurisdictions but it needs to be implemented with caution, since administration and other resources may not be easily be available.

Value Added and Excise Tax Acts of 2005

The 100 section VAT Act along with the Excise Tax Act are the most significant of the 2005 legislation and represent a major change in emphasis and structure in the tax system, the implications of which are still not clearly understood by the business community. Regulations setting the primary VAT rate at 16% with an implementation date of VAT and Excise Taxes of July 1, 2006 were also published. The Minister's announcements, pre-empted by the President, of the extension of the implementation date to January 1, 2007 while welcome will only prove meaningful if the Government provides timely information on the effects of implementation to stakeholders and engages in genuine dialogue with the private sector to iron out their more fundamental differences.

Other Legislation

The Small Business Act 2004

The Act was passed on March 31, 2004 and came into operation on April 1, 2005. The Ministers Report on the year 2005 stated that an eleven member Small Business Council has been appointed and that a small business directory has been compiled. No comment was made on the number of issues which the Act addressed including (i) incentive regime for Small and Medium scale enterprises (SMEs), and the establishment of the Small Business Bureau and the Small Business Development Fund.

Insurance Act, 1998

The issues faced by the industry during 2005 have tested the resolve of the Commissioner and particularly in a situation when a scam involving G\$400 million goes unaddressed, one is left to wonder about the future of the regulatory function in Guyana.

The Securities Act 1998

The Securities Council, which is the body responsible for administering the Act, is being stymied and frustrated by legal challenges to its authority. Some legislative changes are clearly required to prevent the unreasonable challenges that hamper the Securities Council as it seeks to serve the collective interest of the public.

Companies Act, 1991

Several problems exist in the enforcement of the provisions of this Act with the Office of the Registrar of Companies being ill equipped to carry out its mandate. We also believe that a review is now required to bring it up-to-date and to deal with a number of the issues and problems practitioners and companies have encountered in the application of the Act.

CARICOM Legislation

Recent research by Ram and McRae suggests that the member states of CARICOM do not have a coordinated system of implementing new legislation, even with the advent of the CARICOM Single Market and Economy. There are benefits to be had from the streamlining of efforts in legislation and enforcement. CARICOM regulators for securities markets, private and public-interest companies, financial institutions, insurers, pension funds, etc. may eliminate the problems faced by regulators in the individual countries.

Preparatory to this Focus, a number of regulators were contacted for their views and concerns about the effectiveness of their office. They are critical of the regulatory framework in which they are operate and believe that significant improvement is required both in the legislative framework and the resources provided to them. They were not optimistic of improvements in 2006.

Please also refer to Unfinished Business on page 18.

Unfinished Business

Ever year, Focus tracks the implementation of the key issues and policies identified in previous Budget Speeches and PRSP Progress Reports that after announcement are not followed through. Ram & Mc Rae is pleased to note that there has been better implementation in terms of the number of initiatives but that may be no measure of the significance of the initiatives with more difficult and complex issues taking much longer to implement. In this section, we consider those issues outstanding from previous years and offer some comments thereon:

- **Household Budget and Living Conditions Survey** - The Statistical Bureau was to conduct a Household Budget and Living Conditions Survey beginning in 2005. The Minister did not refer to this in the 2006 Budget Speech.
- **50% equity privatisation of GPL** - The Government's plan to privatise 50% equity holdings in GPL has not materialised, despite the Prime Minister's assertions of a "great opportunity" it presents to Guyanese financial institutions.
- **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 evidence is that the structure of the economy has remained virtually unchanged as the table on page 7 shows.
- **Freedom of Information Act** - This was referred to in the Draft 2005 PRSP Progress Report but does not appear to be a priority despite its potential for enhancing accountability.
- **The Deeds Registry Act** - This Act passed in 1999, is still not in effect but the Minister did not refer to this in the 2006 Budget Speech.
- **Review of the Companies Act 1991, the Partnership Act, the Business Names (Registration) Act and the Friendly Societies Act of Guyana** - This was announced some time ago but again the status is unknown.
- Framework for investment decisions of the National Insurance Scheme should have been implemented in September 2005. The Minister did not refer to this in the 2006 Budget Speech. In fact the NIS is being persuaded by the Privatisation Unit to take up an investment in the Berbice Bridge that may not be in the Scheme's interest.
- **Laying in Parliament of the Competition on Fair Trading Bill** - The Consultations are taking place for this to be done in 2006.
- **Action plan based on the Labour Market Study as addressed in the Draft 2005 PRSP Progress Report** - There is no indication that this was done while the Minister did not refer to this in the 2006 Budget Speech.
- **Appointment of a Deputy Governor of the Bank of Guyana** - This was not done despite an undertaking to the IFI's.
- Full implementation of the **Financial Management and Accounting Act** was not done. The Minister did not refer to this in the 2006 Budget Speech.
- **Establishment of Commercial Court** - The IDB has been identified to assist the government in

establishing a Commercial Court. Only preparatory work was done so far and this matter was again referred to in Budget 2006.

- **Review of tax exemptions** - Tax reform has been on the agenda for several years with legislation being passed within the last three years providing a framework for addressing the widespread tax evasion. There has not been a report on the review of the costs and benefits arising from present tax exemptions.
- **Reform of judiciary** - While the Minister indicated in his Budget Speech 2005 that action would be taken to improve case management and reduce the backlog of cases, there is no evidence that significant progress has been made. In fact the Minister now announces that he is looking to access over G\$3.2Bn in funding to finance the reform.
- **Improving institutional framework for trade and investment facilitation** - The Minister announced that a Strategies Investment Opportunity Assessment will be conducted. Whether this constitutes the framework is not clear but there is a need for a clear policies and procedures that shorten the investment timeframe.
- **Tabling legislation on bankable property rights** - The Minister should tell the nation whether this proposal has been shelved.
- **The Environmental Protection Act, 1996** - The Act provides for the establishment of an Environment Appeals Tribunal but it is our understanding that this has not been done.
- **Bank of Guyana Reform** - Consultations were conducted in 2003 on the feasibility of the implementation of a deposit insurance scheme and a report was submitted, but there was no mention made by the Minister in the Budget speech 2006.

2006 Policy Issues and Targets

In introducing the Financial Targets for 2006, the Minister announced that in spite of the setbacks experienced for the year as a result of flooding in many areas of the country, he expects the economy to perform better in 2006.

Real GDP Growth - 4.3%

The projected growth rate of 4.3% is considerably higher than the negative 0.3% projected in the Poverty Reduction Strategy Progress Report 2004.

- Sugar production is expected to reflect improved results of 28% and represents recovery from last year's low level and the expansion under the Guysuco Action Plan.
- Rice is expect to show only a small improvement of 4.5% while fishing and forestry sectors are projected to increase by 1% and 4% respectively.
- Significant flooding is expected to affect livestock and other crops which are projected to decline by 3% and 4% respectively.
- In-spite of the good performance expected by bauxite and gold declaration by small miners, the mining would continue to feel the effects of the lost contribution of Omai Gold Mines Limited which would lead to a decrease in output of 15.4%.
- Strong growth is also expected in transportation and communications and distribution along with a few other sub-sectors.

Monetary Policy & Inflation

The Minister announced that the inflation rate is expected to be 6.3% and that the Government will take the necessary actions to keep the rate in check. These actions included the moves earlier this year by the Government to reduce consumption tax on diesel to 17.5% and by GUYOIL to reduce retail kerosene prices by 14%.

Balance of Payments

In line with the recovery in the real sector and notwithstanding the loss of earnings from the closure of Omai Gold Mines Limited, merchandise exports are projected to rise by 2.5% to US\$562.7Mn, while net payment for services is budgeted to increase slightly to US\$85.5 and net transfers to decline to US\$140Mn from US\$152.6 million.

Revenue and Expenditure

Revenue is expected to grow by 4.4% to \$58.5Bn with Customs and Trade Taxes increasing by 5.6% and a small increase in revenue earned (1.8%) by Internal Revenue.

Current expenditure is expected to rise by 4.7% to \$59.3Bn as a result of expected increases in personal emoluments and transfers. Transfers include a projected 75% increase in old age pensions and social assistance. Marginal growth has been projected for other goods and services while interest payments are projected at \$7.3Bn.

Capital expenditure is expected to grow to \$42Bn or by 20% while grant financing is expected to increase by 33%. The overall deficit is programmed to be \$25.1Bn or 14.7% of GDP.

Key issues are:

- Sugar: -The Skeldon Modernisation Plan
- Rice: -The EU Rice Competitiveness Programme from which Guyana could receive 11.7Mn Euros.
- Bauxite: -Conclusion of the RUSAL Deal
- Telecommunications: -Reform of the Sector
-Unfolding of an Information Technology Strategy to ensure every household and school has access to telephone, computers and internet.
- Investment: -Strategic Investment Opportunities Assessment to be conducted.
- Public Sector Reform: -Expenditure of \$215Mn to improve the capacity of the Public Service Ministry.
- Financial Sector: -Amendments to the Anti-Money Laundering Legislation.
- Debt Management: -Development of a National Capacity Building Plan for aid and debt management.
- Crime: -Establishment of National Committee on Law and Order.
-Launching of a G\$650Mn National Drug Strategy Master Plan 2005-2009
-Deportee Monitoring Unit
- Judiciary: -Securing loans of US\$17Mn for Justice Sector Strengthening Programme.

Ram & McRae comments***Sugar***

The Government's attitude to the EU price cuts is a mixture of bravado and deep concerns. The Skeldon Project was premised on a pre-cut price regime and the Minister did not indicate how the Government proposes dealing with those estates that might be uncompetitive.

Telecommunication

Much depends on how flexible GT&T and the Government are in the negotiations for the restructuring of the telecommunications sector in which GT&T's monopoly will feature. Fifteen years ago no one could have foreseen the dramatic changes in the sector and GT&T will be very reluctant to give up a very lucrative monopoly unless it is well compensated.

Public Sector Reform

This seems to be limited to work within the Public Service Ministry. The Government appears unwilling to engage in serious and comprehensive public sector reform which would inevitably involve the scrapping of some ministries and cuts in the number of generous contracts.

Financial sector reform

The Minister was noticeably silent on the impact of implementation of the Financial Management Accountability Act particularly on the budget process. That he did not meet his obligations under the Act may be one reason why he avoided any comment thereon.

Taxation reform

- (i) The lesson from Trinidad and Tobago prior to their introduction of VAT is that the tax is likely to be more readily accepted if it is accompanied by reform in the system of direct taxation including a reduction in rates. This was a glorious opportunity for Guyana to deal comprehensively with tax reform including the simultaneous easing of the burden of direct taxes and the move toward indirect taxes. Recent experiences do not offer much grounds for confidence.
- (ii) The private sector and the labour movement in particular should continue to press their case even as they prepare for January 1 VAT implementation. Incredibly President Jagdeo admits to the Private Sector that the 2% Minimum Corporation Tax is punitive but refuses to remove it.
- (iii) Meanwhile the professional's challenge to the G\$250,000 tax practice fee is currently being heard in Court and a decision may be handed down soon. It would be interesting to review how the Government argues the case for this fee given that as far as we are aware, CARICOM countries such as Trinidad and Barbados do not impose such a fee on either their lawyers or accountants. Perhaps it is just a bit too late but there may be room for compromise with the amount being treated as a tax credit. In fact, an IMF mission had proposed a minimum tax *'until such time as the GRA can effectively collect regular income tax from professionals'*.

The Government of Guyana Financial Plan 2006

The table on the page 26 presents a summary of the Government's projected financial plan for 2006. The capital expenditure and external financing figures for the revised 2004 figures, which appeared in the 2005 Estimates, have been restated in the 2006 estimates without any explanation.

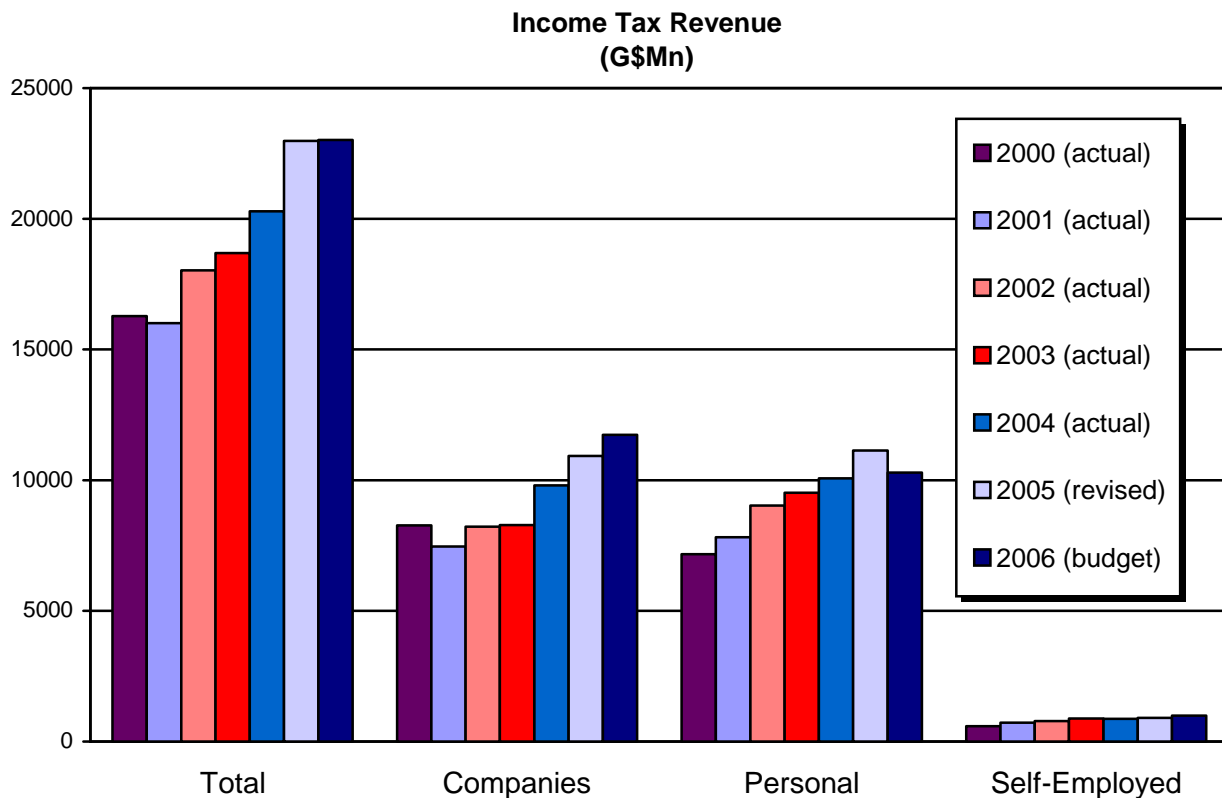
The 2006 Plan projects a current balance of G\$1.6Bn compared with a revised 2005 estimate of G\$2.3Bn. This latest estimate for 2005 shows an increase of \$2.35Bn from the deficit of G\$15.2Mn projected in the original budget.

The main elements of the 2006 Plan are:

Current revenues are projected to increase by G\$2.5Bn to G\$58.53Bn for 2006 from G\$56.07Bn in 2005. An increase of G\$1.89Bn or 3.6% over 2005 is projected for the Revenue Authority which will account for 93.62% of total Current Revenue.

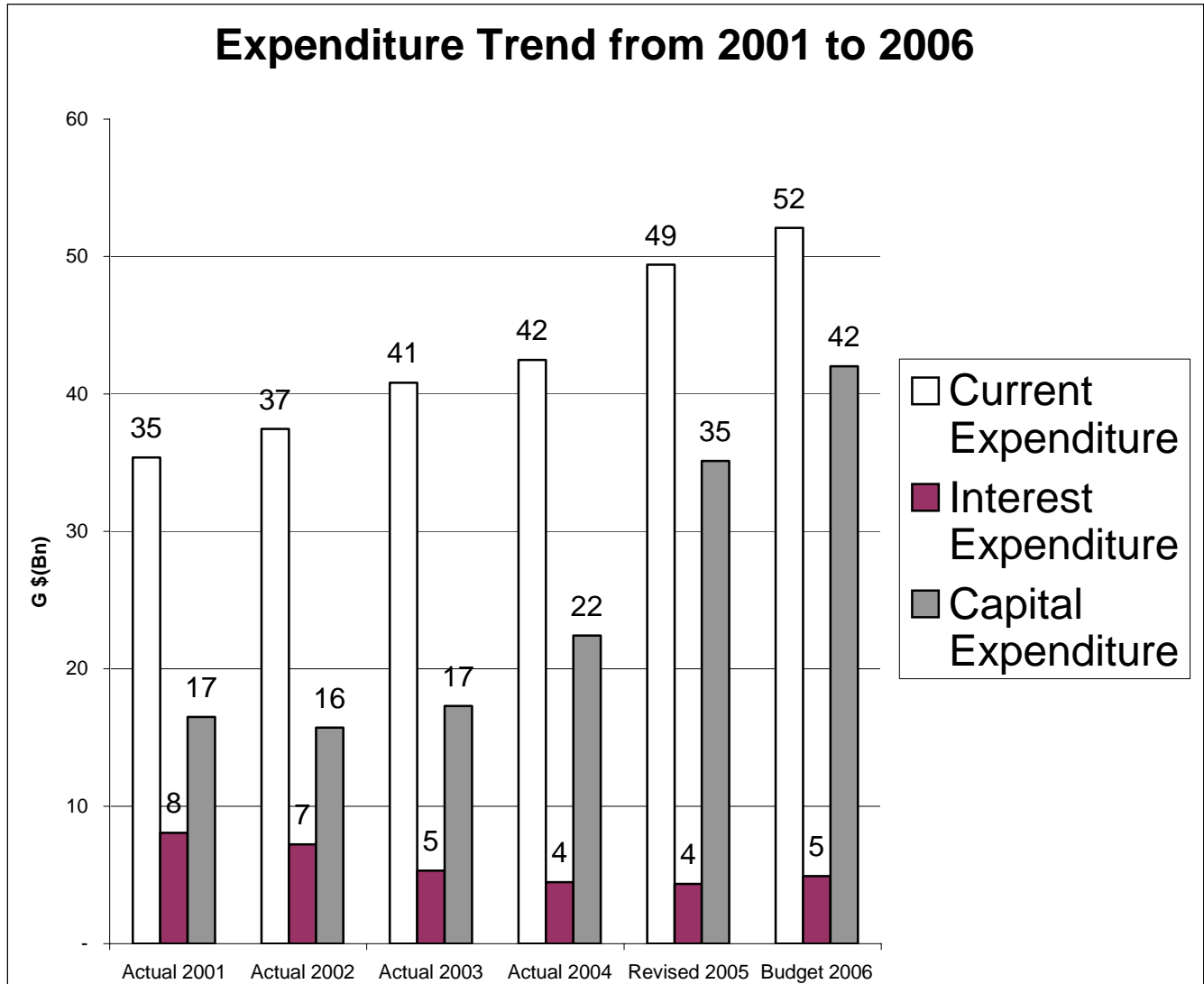
Collections by the Internal Revenue totalled G\$27.6Bn compared with G\$27.1Bn in 2005 showing an increase of 1.6% or G\$442Mn. Collections by the Internal Revenue are expected to maintain a relative 50.3% share of the Guyana Revenue Authority's total revenue.

Current revenues expected in 2006 from Customs and Trade Administration amount to G\$27.2Bn, an increase of G\$1.5Bn or 5.6% from 2005, and represent 48.7% of total Guyana Revenue Authority's revenue.



Total Current non-interest expenditure is projected to increase by G\$2.7Bn from G\$49.4Bn to G\$52.1Bn for 2006 as compared with revised 2005 figures. Personal emoluments of G\$20.4Bn represent a 10.3% or G\$1.9Bn increase over 2005 actual and 39.2% of projected total non-interest current expenditure.

Total interest expenditure is projected to increase by 12.8% or G\$556.5Mn from G\$4.3Bn in 2005 to G\$4.9Bn in 2006. Interest on domestic debt is expected to decrease by G\$105Mn or 3.6% when compared with revised 2005 figures, while interest on external debt is projected to increase by G\$661.4Mn or 46.8%.



Capital revenue is projected at G\$15.2Bn, representing a G\$4.5Bn or 41.8% increase over the amount of G\$10.7Bn for 2005. Estimates of capital revenue and grants for 2006 amounted to G\$15.2Bn compared with G\$10.7Bn based on 2005 latest estimate. Capital revenue and grant for 2006 is made up of HIPC relief and Project and Programme funds amounted to G\$4.4Bn (2005 - G\$2.8Bn) and G\$10.7Bn (2005 - G\$7.9Bn) respectively.

Capital expenditure of G\$42Bn represents an increase of G\$6.9Bn or 19.6% over 2005 latest estimates of G\$35.1Bn as compared to 42% (G\$12.7Bn) increase in 2005 from actual 2004.

For a further analysis of current and capital expenditures, please refer to page 28 - 'Who Gets What'.

Debt repayment is projected at G\$3.9Bn (2005 - G\$2.2Bn) made up of domestic debt repayments of G\$1.1Bn (2005 - G\$34.6Mn) and external debt repayments of G\$2.8Bn (2005 - G\$2.1Bn), representing an increase of 3,077.5% and 29.3% respectively over the previous year.

There is an overall deficit of G\$29.2Bn compared with a deficit of G\$24.3Bn for revised 2005. It is projected that the deficit will be financed from domestic and external sources of G\$10.9Bn and G\$18.3Bn respectively. The overall balance of deficit before grants is projected at G\$44.3Bn compared to a deficit of G\$34.7Bn in 2005, an increase of G\$9.6Bn or 28%.

During 2006, Domestic and External Debt Service as a percentage of current revenue is projected at 15.0% compared with the revised budget for 2005 of 11.6% and 15.6% in 2004.

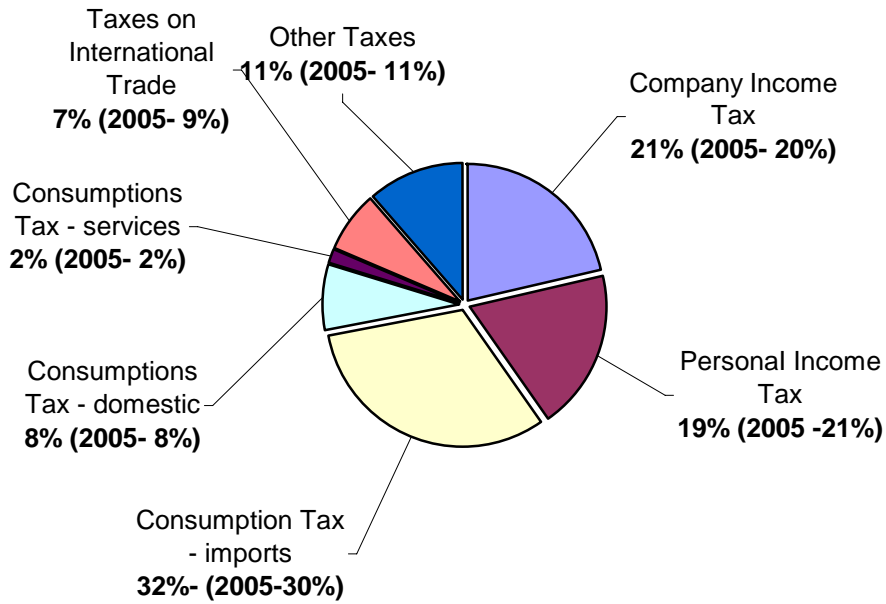
Ram and McRae's Comments

1. Once again we find the enormous disparity between the taxes paid by employed persons whose taxes are deducted by their employers and those paid by the self employed. It is surely time that this injustice is dealt with and some equity and fairness restored to the system.
2. Despite the absence of growth in the economy taxes paid by companies and individuals both increased in 2005 by 11.5% and 10.1% respectively. Company taxes are expected to increase in 2006 while the Minister projects a decrease in taxes from individuals.
3. Increases in current expenditure of \$2.7Bn or 4.7% over 2005's latest estimate exceeds the increases in revenue (\$2.4Bn). A similar current account balance is projected for 2006 with revenue and expenditure increasing almost identically.
4. Capital expenditure in 2006 is budgeted at \$42Bn, \$7Bn more than 2005 and a huge \$20Bn more than 2004.
5. The government continues to run up significant deficits, which are only partly financed by grants. It must therefore borrow substantial sums from domestic and external sources which carry up the debt burden.
6. In 2006, debt service as a percentage of Current Revenue is projected at 15% up from 11.6% in 2005.
7. This 'tax, borrow and spend' approach may be tolerable in the short run but is unsustainable in the medium/long term. This is why Focus has consistently argued for the determination of a clear debt service strategy.
8. Ten years ago the relationship between company taxes and personal taxes was approximately 3:2, now it is 1.14:1. The tax-wise inefficient Minimum Corporation Tax has driven a number of companies to de-incorporate and move into sole-trader status. They have found a windfall welcoming them: no external audit and the friendly tax consultant ready and willing to make up their tax returns to suit their needs. If that is not aiding and abetting as contemplated under Section 111 of the Income Tax Act, we do not know what is.

FINANCIAL OPERATION OF CENTRAL GOVERNMENT (ACCOUNTING CLASSIFICATION)

Particulars	Budget	Revised	Budget	Revised	Revised	Revised
	2006	2005	2005	2004	2003	2002
CURRENT REVENUE	58,531.1	56,070.5	51,726.9	51,664.4	45,390.4	44,558.2
1.1 Guyana Revenue Authority	54,796.70	52,899.10	48,971.50	48,286.40	41,526.70	40,822.50
1.1.1 Internal Revenue	27,766.70	27,124.70	25,603.40	24,747.60	22,386.50	22,102.10
1.1.2 Customs & Trade	27,229.80	25,774.40	23,368.10	23,538.80	19,140.10	18,720.00
1.2 Sugar Levy	-	-	-	-	-	-
1.3 Other	3,734.4	3,171.4	2,755.4	3,378.0	3,863.70	3,735.70
CURRENT EXPENDITURE	52,082.3	49,390.9	46,571.1	42,462.2	40,822.0	37,444.9
2.1 Personal Emoluments	20,439.1	18,538.6	18,901.6	17,321.9	16,341.10	15,832.00
2.2 Goods and Charges	17,106.2	17,089.3	14,919.1	12,987.2	11,117.40	9,700.60
2.3 Transfer to the Private Sector	14,537.0	13,763.0	12,750.4	12,048.1	10,097.70	9,553.60
2.4 Transfer to the Public Sector	0.0	0.0	0.0	105.0	3,265.80	2,358.70
INTEREST EXPENDITURE	4,902.9	5,170.9	5,170.9	4,481.3	5,310.9	7,225.1
3.1 Domestic	2,829.4	2,901.4	2,901.4	2,949.6	2,966.30	4,312.80
3.2 External (Cash)	2,073.5	2,269.5	2,269.5	1,531.7	2,344.60	2,912.30
CURRENT BALANCE	1,545.9	1,508.7	(15.1)	4,720.9	(742.5)	(111.8)
CAPITAL REVENUE & GRANTS	15,184.10	10,708.60	8,713.70	7,788.40	4,994.40	4,572.60
5.1 Grants	15,184.10	10,689.60	8,713.70	7,769.40	4,983.00	4,541.70
5.1.1 HIPC	4,436.6	2,783.2	2,623.5	3,566.6	2,338.70	1,836.30
5.1.2 Project and Programme	10,747.5	7,906.4	6,090.2	4,202.8	2,644.30	2,705.40
5.2 Other (inc. Sale of Assets)	0.0	19.0	0.0	19.0	11.40	30.90
CAPITAL EXPENDITURE	42,014.4	35,130.3	31,723.3	22,410.7	17,275.70	15,675.30
DEBT REPAYMENT	3,872.80	2,179.40	2,916.30	3,553.40	2,484.70	2,515.00
7.1 Internal	1,099.4	34.6	34.9	34.2	49.80	124.60
7.2 External (Cash)	2,773.4	2,144.8	2,881.4	3,519.2	2,434.90	2,390.40
OVERALL BALANCE	(29,157.20)	(25,268.00)	(25,941.00)	(13,454.80)	(15,508.50)	(13,729.50)
TOTAL FINANCING	29,157.20	24,268.00	25,941.10	9,907.00	15,508.50	13,729.50
9.1 External	18,289.6	17,560.1	20,001.0	12,804.0	11,584.80	8,643.60
9.2 Domestic	10,867.6	6,707.9	5,940.1	(2,897.0)	1,923.70	5,085.90
9.3 Divestment (net)	0.00	0.0	0.00	0.0	2,000.00	0.00
Total Domestic and External Debt Service as a % of Current Revenues						
Revenues	15.0	11.6	15.6	15.6	17.2	21.9

Budgeted Tax Revenue for 2006



Who Gets What In 2006

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\$50.153Bn which is 2.87% more than revised 2005. The Ministries/ Departments with the most significant allocations are:

Ministries/Departments	2006		2005 Revised		% Inc.
	\$ (Mn)	%*	\$ (Mn)	%*	
Ministry of Finance	12,782	20.99	15,469	27.04	(17.37)
Ministry of Foreign Affairs	1,941	3.19	1,707	2.98	13.71
Office of President	1,365	2.24	1,313	2.29	3.96
Ministry of Education	4,739	7.78	4,542	7.94	4.34
Ministry of Labour, Human Services & Social Security	2,375	3.90	1,432	2.50	65.85
Ministry of Home Affairs	4,319	7.09	4,070	7.11	6.12
Guyana Defence Force	3,267	5.36	3,148	5.50	3.78
Georgetown Public Hospital Corporation	2,252	3.70	2,182	3.81	3.21
Ministry of Health	2,355	3.87	2,109	3.69	11.66

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	2006		2005 Revised		% Inc.
	\$ (Mn)	%*	\$ (Mn)	%*	
No.4 Demerara/Mahaica	1,628	16.15	1,628	17.75	-
No.6 East Berbice Corentyne	1,906	18.91	1,658	18.07	14.96
No.5 Mahaica/Berbice	861	8.54	762	8.31	12.99
No.2 Pomeroon/Supenaam	1,097	10.88	989	10.78	10.92
No.10 Upper Demerara/Berbice	1,014	10.06	956	10.42	6.07
No.3 Essequibo Islands/West Demerara	1,590	15.78	1,440	15.70	10.42
* Percentage of regional allocation					

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

Ministries/Departments	2006	2005	Difference	% Inc./(Dec)
	\$ (Mn)	\$ (Mn)		
Ministry of Housing and Water	359	803	(444)	(55.29)
Ministry of Finance	12,782	15,469	(2,687)	(17.37)
Ministry of Health	2,355	2,109	246	11.66
Ministry of Education	4,739	4,542	197	4.34
Ministry of Home Affairs	4,319	4,070	249	6.12
Ministry of Labour, human Services and Social Services.	2,375	1,432	943	65.85
Ministry of Foreign Affairs	1,941	1,707	234	13.71
Ministry of Public Works and Communications	609	628	(19)	(3.03)

Capital Expenditure

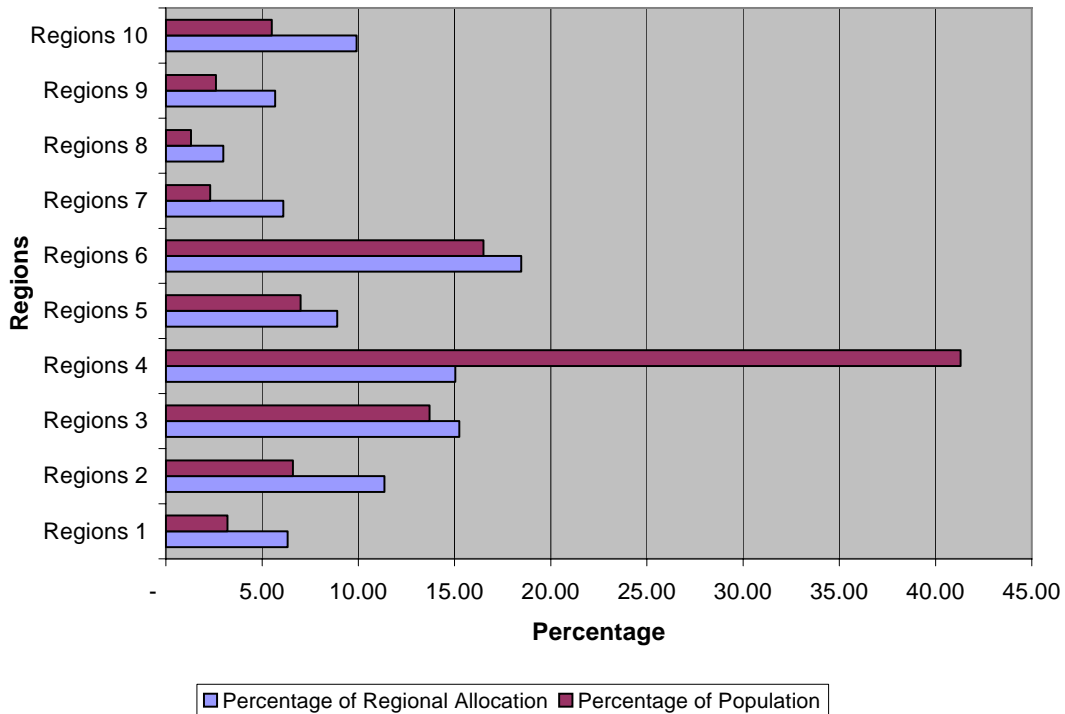
Central Government's capital expenditure for the year is budgeted at G\$42.014Bn which is 20% above revised 2005 and 41% of total 2006 expenditure. The Ministries/ Departments with the most significant capital expenditure allocations are:

Ministries/Departments	2006		2005		% Inc./(Dec)
	\$ (Mn)	%*	\$ (Mn)	%*	
Ministry of Finance	15,894	37.83	10,436	32.90	52.30
Ministry of Public Works & Communications	8,050	19.16	6,835	21.55	17.78
Ministry of Education	2,064	4.91	1,501	4.73	37.51
Ministry of Housing and Water	3,606	8.58	3,631	11.45	(0.69)
Ministry of Agriculture	3,111	7.40	2,108	6.65	47.58
Ministry of Local Gov't & Regional Devel.	2,168	5.16	1,192	3.76	81.88
Ministry of Culture, Youth & Sports	1,468	3.49	1,152	3.63	27.43
Guyana Defence Force	172	0.41	155	0.49	10.97
* Percentage of total capital expenditure					

Regional Allocations

Region 6 (East Berbice/Corentyne), whose share of the country's population is 16.5% based on the 2002 Census Report, received approximately 18.46% of the total current expenditure amount allocated to the regions. The situation regarding the total expenditure allocation is similar to previous year with Region 3 (Essequibo Islands/West Demerara) whose share of the population is 13.7% receiving 15.24% of the regional allocation. Region 4, which has 41% of the country's population receives only 15.04% of the total expenditure allocated to the regions.

Percentage of Regional Allocations to Population Totals



Ram & McRae's Comments

The regional allocation is however of limited use only as Region 4's allocation is distorted by the range of costs such as education and health which are charged to respective ministries while in the other regions such costs are accounted for in the regional budget.

The total funds voted within the Ministry of Finance amounts to approximately G\$28.68Bn or 27.86% of the total budget. In 2005 the total fund voted to the Ministry of Finance represented 25.12% of the total budget. Of this amount, 43% (2005 - 35%) represents an amount on lent to GUYUSCO for sugar modernisation.

While the overall budget has increased by 19.08%, the current and capital allocation for Region 4 has increased by only 8.66%.

2006 Budget Measures

▪ *Income tax*

The income tax threshold is increased from \$240,000 to \$300,000 with effect from January 2006. The current income tax rates of 20% and 33 1/3% have been replaced by a single rate of 33 1/3%.

▪ *Pensioners and public assistance recipients*

An increase of 75% in old age pensions and public assistance with effect from January 1, 2006.

▪ *Valued Added Tax and Excise Tax*

The Value-Added Tax and Excise Tax Acts passed in 2005 that were scheduled to come into operation from July 1, 2006 would be implemented from January 1, 2007.

Ram & McRae's Comments

Income Tax

Increasing of the threshold will result in savings of \$12,000 per annum for those earning \$300,000 per annum. This equates to savings of \$1,000 per month on a salary of \$25,000 per month.

However, on income of \$360,000 or more per annum (\$30,000 or more per month) the saving is only \$5,333 per annum or \$444 per month because of the removal of the 20% lower rate of tax applicable to the first \$110,000 of chargeable income, i.e. after the personal allowance. But with inflation at 8.3% for 2005, an employee earning \$360,000 per annum (\$30,000 per month) in 2005 would have to earn \$393,666 per annum (\$32,806 per month) in 2006 to maintain their earnings level, i.e. a 9.5% increase in basic salary just to buy the same things that could be bought at the beginning of 2005.

If the 1997 personal allowance available was adjusted for inflation, it would now be \$352,924 while if the 2003 level of \$240,000 was adjusted for inflation, it would be \$287,652. What appears to be a modest improvement of \$12,348 from 2003 has however been eroded by the removal of the 20% lower rate - giving with one hand and taking with the other.

If our allowance is placed in the regional context using Trinidad, Barbados and Jamaica as comparators, and using an internationally acceptable benchmark of personal allowance per capita GDP (3 to 5 times in developing countries), the Guyana personal allowance should be in the region of \$857,000 to \$1.5Mn.

A 2002 IMF proposed three tier tax reform programme recommended that by 2005 the tax threshold should have been increased to \$300,000, with 20% applying to taxable income between \$300,000 and \$552,000, and 35% applying to the remainder.

Budget Focus notes that despite President Jagdeo's stated reluctance to give any relief to the lower income earners because the higher income earners would benefit, he did exactly that.

Focus believes that President Jagdeo is mistaken on several counts:

1. Is it so unreasonable to give the middle level income earners some relief? Persons in receipt of tax free income often cannot empathise with those whose income is taxable.

2. His difficulty and concern should not be with wage earners – they are sitting ducks. The problem is with the self-employed who contribute less than 2% of the total tax revenue of the country while the wage earners contribute more than 18%, nine times more.
3. The Private Sector Commission could have pointed out at the (non) consultation that there is a simple device which could be used to grant relief to the lower income earners which is not available to the higher-income earners. That device is called a tax credit of a fixed sum to persons declaring chargeable income up to a certain level with a stipulation that tax payable cannot fall below zero.
4. Flat tax as we now once again have is most suitable when it is accompanied by a reasonable personal allowance as when it was first introduced by the Administration of the late President Hoyte in 1991 and was set at a minimum of G\$48,000 or 1/3 of total income.

Pensioners and public assistance recipients

Even the Minister concedes that the sum paid as pensions and public assistance is inadequate although he also makes full use of the impressive sounding 75% increase. No society can expect its senior citizens to live on such paltry sums and there should be a policy of phased increases to bring the amounts to a more respectable level.

Valued Added Tax and Excise Tax

It was an eminently sensible decision to postpone the introduction of VAT to January 01, 2007 and it was really impracticable to set a mid year introduction in the first place. Hopefully the Government and the Private Sector Commission would use the additional time to narrow their many difficulties and better prepare themselves. It is interesting and amusing that both sides are taking mileage for the postponement when the reality was that neither side was really prepared for the tax in six months time.

The decision to postpone will not cost the Government in tax revenues since the combination of the VAT and the Excise Tax is revenue neutral.

Commentary and Analysis

Unemployment

Go-Invest seems to have its own measure of identifying projects, the investments made and the jobs created. This time it appears to have out-done itself with the Minister's statement that it has facilitated nearly 140 private sector projects, representing investments of \$68Bn which generated an additional 9,000 jobs!!

Each of these projects creates an average of some 65 jobs while investing an average of \$485Mn per project and each job created cost an average of \$7.5Mn!!

Such extravagant use of numbers by a Minister of Finance undermines the credibility of his ministry and the integrity of his professionals.

The Minister in his 2005 budget presentation also said that there were seventy-five investment projects facilitated by Go-Invest which should have created 1,900 direct jobs. It is unfortunate that the Minister in his current year presentation did not indicate how many of the 1,900 jobs were actually created.

The 2002 Census Report considers the 'working age population' i.e. 15 years or over, to be 484,042 persons or 64% of the population. Of this amount, it states that 271,728 persons or 36% of the population is in the labour force. Unemployment levels are measured against the number of persons in the labour force and in 2002 was 11.7% compared with 11.7% and 16.8% in 1992 and 1980 respectively. Put another way, 31.9% of the population (239,965) is employed compared to 33.9% (245,492) in 1992.

According to the Report the unemployment levels for age-groups 15 to 19 and 20 to 24 are far higher than the older ages with the 15 to 19 age-group being as much as five times more than age-groups 35 to 39 and 40 to 44. The Report also indicated that 15% of females and 10% of males are out of work.

Statistics obtained from the National Insurance Scheme (NIS) show the number of active employees registered by the Scheme in 2002 (120,531) and 1992 (120,470). In 2004 and 2005 the numbers were 114,723 and 117,230 respectively. While there was an increase of 2,507 (2.19%) in active employees during 2005, since 2002 the number decreased by 3,301 or 2.74% and since 1992 the number decreased by 3,240 or 2.69%.

Total active employed persons and self-employed persons in the National Insurance Scheme was 130,533 in 2002 which when compared with the 239,965 reported by the census as being 'employed' raises serious questions.

The time is long past for a full and comprehensive labour survey which is promised from time to time and more recently in the PRSP Progress Report.

National Insurance Scheme

The Minister and the government have again failed to address the threat to the viability of the National Insurance Scheme.

The arm-twisting by the Privatisation Unit to have the National Insurance Scheme invest 20% of the cost of the Berbice Bridge while having no director on the Board or any influence in the company jeopardises NIS funds. The New Building Society which found itself a similar target by the Privatisation Unit has been advised against an investment in shares (high risk) and bonds where the interest and capital are payable only after several years.

Not only on legal grounds but on financial grounds as well the NIS should resist the arm-twisting, and stakeholders including the unions may wish to consider their options if the Government insists on this investment. The project is being promoted as a private sector initiative and if the project is financially attractive it should have no difficulty in attracting funds from the private sector.

Corruption

Perhaps with Guyana ranked by Transparency International as one of the more corrupt countries in the world and as more and more cases of impropriety surface, questions of corruption have featured in several articles and letters appearing in the press. Corruption has a pernicious effect on societies and unless the public is convinced that it is pursued and punished, it destroys the very foundation of the society and takes a severe toll on the economy.

In November 2005 the pro-private sector Stabroek News published an editorial captioned "Corruption Revisited" in which it highlighted a number of cases of corruption in Guyana. This drew a strong but propagandistic reply from the President's Information Liaison Officer giving the status of the cases and the policy interventions implemented by the Government to tackle corruption among which he identified the reintroduction of the Auditor General's Reports, giving effect to the Integrity Commission, strengthening of the white-collar crime unit of the Guyana Police Force, establishing of a Money Laundering Unit and reintroduction of an open tendering system among other things.

Mr. Persaud clearly does not fully appreciate the concept of corruption and cleverly avoided any comment on the success of the 'interventions'. The Money Laundering (Prevention) Act 2000 needs additional legislative measures which the Government has been slow to act on. The use of one's public office for personal or political gains is as much corruption as taking or giving a bribe. So too is the underhand purchasing of state resources and jobs, favours and benefits given outside of an arms' length relation.

While no comprehensive research exists on the impact of corruption on resources or the distribution of income it is estimated to cost around US\$3Bn a year worldwide (Source: Forum Barcelona 2004 website). It is known that the award of contracts is a major source of corruption that costs the state huge sums of money and there is now an increasing perception that some requests for proposals are so framed as to attract only particular individuals. What is certain is the perception of the ordinary man that corruption has worsened over the years.

The Government needs to recognise that the fight against poverty goes hand in hand with the fight against corruption since corruption favours individuals with money and connections. Corruption tends to distort the allocation of economic benefits leading to a less equitable distribution of income. In addition corruption may deter foreign investment, lower economic growth, bring about a loss of tax revenue, lower the quality of public infrastructure and also affect the composition of government expenditure.

The government has generally seen the question as an in-house matter to be investigated internally and even when it is addressed otherwise, the process seems less than transparent. No senior person in the PPP/C Administration has ever been penalised for corruption and many officials no doubt have some difficulty establishing the sources of their income. It is in the country's and the Government's interest to pursue corruption wherever it leads and the Government has to take the lead in creating an anti-corruption environment. It would then have no difficulty in recruiting civil society, private companies and international institutions to join forces in the fight against corruption.

Accountability

The Government must be complimented for presenting a Treasury Memorandum in the National

Assembly setting out its response and the proposed corrective action it intends taking on the several lapses identified in the Auditor General's Report on the national accounts.

However the egregious nature of the lapses which have persisted in the year 2005 gives no cause for comfort. The Minister himself has failed in a number of critical functions including the preparation of a half year report under the Financial Management and Accountability Act, appointment to key boards including that of the Bank of Guyana and tabling of the annual reports of Guyana Revenue Authority while the Office of the Auditor General appears not to have fully discharged its functions under Article 223 of the Constitution of Guyana with respect to the submission to the Speaker of the National Assembly of the accounts of all central and local government bodies and entities, and projects funded by loans or grants by any of foreign state or organisation.

It is yet to be seen whether the Audit Act brought into force in 2005 will have any significant impact on the increasing responsibilities of the Office given the shortage of appropriate skills available to the Office and other professional audit offices.

Disappointingly, the Office of the Auditor General has still not submitted the national accounts for the year 2004, almost four months beyond the due date of September 30th.

The abuse of the Lotto funds by the Office of the President as well as the Contingencies Fund has perpetuated a level of financial lawlessness in the financial management of the country despite all the constitutional and statutory provisions designed to prevent such excuses and abuses.

The constitutional watchdog body, the Public Accounts Committee, has to accept some responsibility for these failings. The Committee is chaired by the Deputy Leader of the PNC/R, an able and experienced politician and technocrat. It is surely time that he and his colleagues take a firm stand on the use and abuse of public funds, abuse that facilitates corruption and financial improprieties.

The public looks forward to hearing from the Public Accounts Committee and its Chairman on the work it has done in 2005, the conduct of the relationship with the Audit Office and the new Auditor General and how it proposes to discharge its duty to protect public funds.

Crime

Over the recent past, crime has been identified by respondents to this Firm's annual Business Outlook Survey as one of the major issues affecting their businesses and they have expressed extreme pessimism about the prospects for improvement. Many businesses in the Survey gave as a cause for downsizing the fear of crime while reporting that the cost to their business of security both in equipment and personnel has increased alarmingly over the past few years.

In November last year the Private Sector Commission hosted a two day workshop on crime and in view of the continuing concern is planning a follow up soon.

Any discussion of crime in the context of a budget and the economy has to confront the question of the definition. Under the country's tax laws, tax evasion is a crime with implications for the country's finances and its ability to fight crime, yet how many people regard that as a crime? Similarly crimes relating to the environment have a huge public cost as well as health cost to individuals while electricity theft places a burden on rate paying businesses and individuals. Crime also includes smuggling contraband, tobacco, drugs and violence both in and out of the home. In class terms crime is seen as street crime and ignores white collar crime, securities crime, insider dealings, etc.

Crime has a huge impact on the economy and a regional study suggests crime could cost the economy

at least 30% of GDP. The society and economy lose out when families migrate and able-bodied individuals are deployed to security work while the sheer fear which has gripped many communities must take a huge psychological toll on individuals and their productivity.

The Government's response of the establishment of a National Commission on Law and Order has been described as farcical and its failure to treat with the Symonds Report and more importantly the very detailed recommendations of the Chang Commission defies understanding.

The Minister also announced a \$650Mn National Drug Strategy Plan 2005-2009 and discussions with the Drug Enforcement Agency (DEA) to set up office in Guyana. The question is whether the DEA will be able to deal with the big untouchable drug barons who are becoming increasingly visible in the business community and society at large.

While the Guyana Police Force cries out for more resources it continues to have trained police personnel carrying out basic clerical functions and other tasks such as vehicle fitness checks and the processing of passport applications.

The Judiciary

Of great concern currently is the failure of the process for the filling of the position of Chancellor which has now been stalled for several months. No society with respect for the rule of law can afford to leave such a position unfilled for any extended period or to have its independence and impartiality questioned for whatever reason and to link it to elections would be to devalue its importance. The Minister did not refer to the proposed amendment to the High Court Act which would transfer to the Government's favoured person several key functions leaving the other position merely ceremonial.

The year 2005 saw the establishment of the Caribbean Court of Justice (CCJ) which for Guyana re-introduces the right of appeal to a court outside of Guyana, a move that many consider a welcome development that would enhance the system in Guyana. However, in a recent presentation to legal practitioners in Guyana, former Chancellor of Guyana and now CCJ Judge, Desiree Bernard J, opined that certain rule changes would be necessary for criminal appeals to go to that Court. What was all the brouhaha about if the legal fraternity in Guyana were to decide that they like the Guyana system, perhaps not despite of but because of its deficiencies?

For the umpteenth time plans are announced for the establishment of a Commercial Court but no further word on the Tax Court announced several years ago and a Family Court announced in the 2005 Poverty Reduction Strategy Progress Report.

With the emphasis on rights and the obligations of the state, many people would consider a Constitutional Court of paramount importance. It is more than just an idle platitude that a right delayed is a right denied.

The Minister who seems to have a penchant for huge numbers announced that the Government was seeking a loan of US\$17Mn or G\$3.4Bn to improve the justice system through spending on buildings, revision of laws and the establishment of an information management system and computerisation. A few years ago we had the US-funded Justice Improvement Project and last year the Minister announced that the Judiciary now has the full complement of judges. Money alone will not solve our problems as the Minister seems to think.

Since 1992 various studies and reports have been completed and perhaps there have been improvements but some accountability from the Judiciary in the form of publicly accessible annual reports would also be a step in the right direction.

The Illegal Economy

Perhaps the greatest challenge facing this economy and indeed the country is that of the narcotics trade and its companion evils, money laundering and tax evasion. Despite the introduction of Anti-Money Laundering legislation since 2000, no one has yet been hauled before the courts or penalised for having unexplained funds. Money laundering itself is not a primary crime but one that follows some other crime such as tax evasion, narcotics trading and smuggling. The purpose of money laundering is to 'wash' the proceeds of these illegal activities and give them legitimacy.

Unfortunately Guyana persists with the non-bank cambios which help to facilitate the movement of money. Years after the Money Laundering (Prevention) Act, much of the subsidiary legislation is still being drafted even as those whom the Act is intended to catch become more entrenched and powerful but yet whose names are mentioned only in whispers.

As elections 2006 approaches and political parties will try to outspend each other without any respect for campaign financing rules, the opportunities for further influence peddling by these players will increase. When politicians become hostage to drug dealers, smugglers and money launderers, society is seriously threatened.

Guyana economy is no longer comprised of rice, sugar and extractive industries but rather the formal, informal and illegal/criminal. While by their very nature the latter two do not lend themselves to precise measurement, their importance should not be under-estimated. The Minister of Finance referred in his Speech to 'extra-ordinary increase in net transfers which he explained as due to expanded coverage of the money transfer agencies and the response of the Diaspora to the flooding last year'.

It is unlikely that he would rule out the part played by the illegal sector in some of the booming sectors of the economy and in keeping the exchange rate stable even as migration and imports consume increasing amounts of foreign exchange.

The Government has never explained why it abandoned the drug strategy of its predecessor or given an explanation of how its own strategy has operated. Is it more than pure chance that the drug busts involving Guyanese either take place abroad or catch only the small fry here in Guyana. Some credible persons speak gloomily of Guyana being a failed state but that fear could yet materialise if we do not accelerate steps to root out the growing menace of narco-trading in the economy.

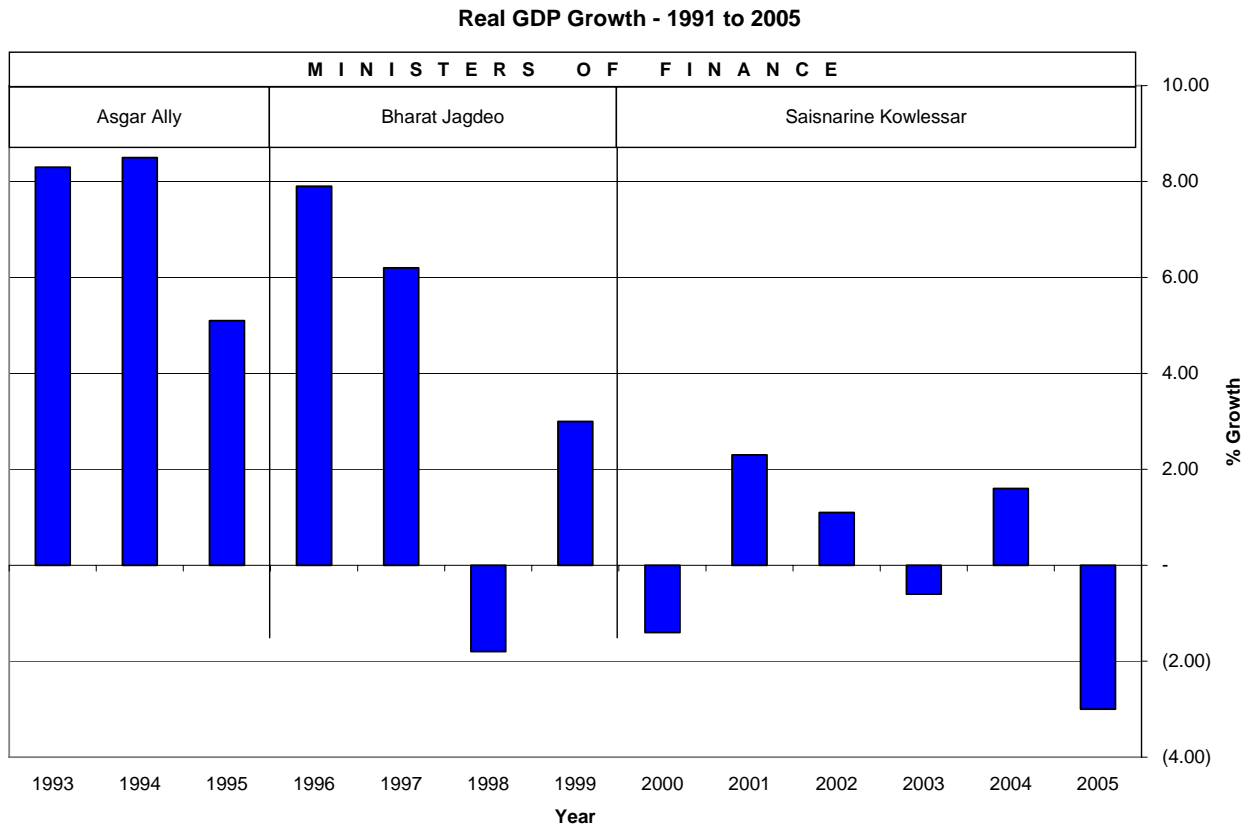
The Imperial Presidency

Over the years President Jagdeo has increasingly been doing the work of his Ministers and assuming powers which he clearly does not have either under the Constitution or various legislation including the Financial Management and Accountability Act.

His penchant for dispensing public funds without Parliamentary approval sometimes borders on the absurd - an across the board payment of \$5,000 to each of the residents of the New Opportunity Corp and hundreds of thousands of dollars to football clubs and duty free concessions in what appears to be blatant pre-election vote-attracting measures.

The President needs to understand and respect our supreme law and its provisions on Consultation (Article 13); the severe restrictions on how public funds can and should be accounted for (Article 216) including the lotto funds controlled from his Office and from which he has distributed vast sums, and the constitutional mechanism for creating and utilising the Contingencies Fund (Article 220). His Attorney General, the Auditor General and the Public Accounts Committee should advise him.

The President must also understand the basic elements of management, how to delegate and how to avoid micro-management, a virus that he has brought onto himself. He does nothing for the self-esteem of his Ministers when he publicly criticises them. While his own record is not faultless as we notice if we look at the performance of the economy since he took control of the Ministry of Finance in 1996. In the preceding three years i.e. 1993-1995, the economy grew by over 4% but for the first time since 1991 the economy actually declined by 1.3% in 1998. The average growth for the next three years i.e. 1999-2001 was 1.4% and for the years 2002-2004 it was 0.7%. Just perhaps incidentally, the growth rate in 1992 when the PPP assumed the reins of government was 7.7% and in the preceding year was 6.1%.



His dithering over the appointments of the Chancellor and Chief Justice following the departure of Chancellor Bernard to the Caribbean Court of Justice during last year is unacceptable and incomprehensible. The Constitution of Guyana provides that “the Chancellor and the Chief Justice shall each be appointed by the president, acting after obtaining the agreement of the Leader of the Opposition.” It is not at the President’s pleasure.

His perpetual campaign mode leads him to make short term decisions without sufficient consideration of the longer term consequences or the legal or other ramifications of his actions and he is so busy fighting fires across the country as to leave him no time for strategic thinking.

Unconfirmed but credible reports indicate that he has promised hotel developers license to carry on casino gambling, a strategy that has a host of dangerous implications not least being the opportunity for money laundering and racketeering.

With all the natural resources at our disposal, untapped opportunities for eco-tourism and potential as the gateway to South America, there is no need to risk the delicate fabric of the society and the

prospects for sustainable economic development.

Who can say how better prepared we would have been for flooding in 2006 if he did not insist that he did not need an inquiry in 2005. It was not whether he needed one but whether the country needed it.

President Jagdeo has done much in the areas of debt write-off and improving the country's physical infrastructure, even though in the life-threatening matter of flood prevention his performance has been mixed.

Assuming, as is likely, that he is returned for another term he would best serve the country by acting more deliberately, working towards repairing some of the fissures created during his presidency and avoiding been seen as an autocrat and a dictator with a modest record of achievement.

The Country's Revenue Base

According to the financial plan of the Government approximately 95% of the country's revenue is derived from (direct and indirect) taxes collected by the Guyana Revenue Authority.

Some rents and royalties go direct to specified agencies such as the Geology and Mines Commission and the Guyana Forestry Commission but there appears to be a real need for a review of the sums the country receives for the extraction of our forestry products, from the extractive industries such as gold, diamond and bauxite as well as from agriculture which benefits from billions of dollars of Drainage and Irrigation Expenditure.

Giving Regulators Teeth

Of the four larger CARICOM countries, Guyana has the smallest stock exchange both in terms of number of companies and market capitalisation. There has been no new public company created in Guyana for decades and the tendency following privatisation is to take public and state-owned entities back to the secretive private company status.

We seem unable to grasp the vast opportunities available to properly governed public companies and even among the larger public companies, corporate governance is a matter of window dressing with regulators treated as intruders rather than the protectors of the public interest. The regulatory function is stymied by the Courts leaving the small shareholder at the mercy of the big and the powerful. That is the antithesis of the regulatory function. The laws need to be strengthened and regulators need to be allowed to perform their duties without having to second guess the Courts or cross endless legal hurdles. Lets the regulators do their job.

Appendix A: Acts Passed in 2005

Legislation	Name of Act	Objective	Assented Date
Act No 1. of 2005	Customs (Amendment) Act 2004	An Act to amend the Customs Act by replacing of the First, Second, Third, Fourth and Fifth Schedules.	January 11, 2005
Act No 2. of 2005	The Combating of Trafficking In Persons Act 2004	An Act to provide comprehensive measures to combat trafficking in persons.	April 07, 2005
Act No 3. of 2005	Appropriation Act 2005	An Act to provide for the issue from the Consolidated Fund of the Sums necessary to meet the expenditure (not otherwise lawfully charges on the Consolidated Fund) of Guyana for the fiscal year ending 31 st December 2005, estimates where of have been approved by the National Assembly, and for the appropriation of those sums for the specified purposes, in conformity with the constitution.	March 22, 2005
Act No 4. of 2005	Regional Health Authorities Act 2005	An Act to establish regional health authorities with responsibility for providing for the delivery of and administering health service and health programmes in specified geographic areas and for matters incidental thereto or connected therewith.	July 19, 2005
Act No 5. of 2005	Supplementary Appropriation (No. 3 of 2004) Act 2005	An Act to provide for the issue from the Consolidated Fund of the sums necessary to meet the expenditure (not otherwise lawfully charged on the Consolidated Fund) of Guyana for the fiscal year ending 31 st December, 2004, estimates where of have been approved by the National Assembly, and for the appropriation of those sums for the specified purposes, in conformity with the Constitution.	July 19, 2005
Act No 6. of 2005	Ministry of Health Act 2005	An Act to Continue the Ministry with responsibility for health and for matters connected therewith.	May 13, 2005
Act No 7. of 2005	Supplementary Appropriation (No. 1 of 2005) Act 2005	An Act to provide for the issue from the Consolidated Fund of the sums necessary to meet the expenditure (not otherwise lawfully charged on the Consolidated Fund) of Guyana for the financial year ending 31 st December 2005, estimates whereof have been approved by the National Assembly, and the appropriation of those sums for specified purposes, in conformity with the Constitution.	June 14, 2005
Act No 8. of 2005	Supplementary Appropriation (No. 2 of 2005) Act 2005	An Act to provide for the issue from the Consolidated Fund of the sum necessary to meet the expenditure (not otherwise lawfully charged on the Consolidated Fund) of Guyana for the fiscal year ending 31 st December 2005,	July 26, 2005

Legislation	Name of Act	Objective	Assented Date
		estimates whereof have been approved by the National Assembly, and for the appropriation of those sums for the specified purposes, in conformity with the constitution.	
Act No 9. of 2005	Valuation For Rating Purposes (Amendment) Act 2005	An Act to amend the Valuation for Rating Purpose Act.	July 26, 2005
Act No 10. of 2005	The Value-Added Tax Act 2005	An Act to provide for the imposition and collection of value Added Tax.	July 18, 2005
Act No 11. of 2005	Excise Tax Act 2005	An Act to provide for the imposition and collection of Excise Tax.	July 18, 2005
Act No 12. of 2005	The Energy Agency (Amendment) Act 2005	An Act to amend the Guyana Energy Agency Act 1997 to further support the institution and success of prosecution under the Act and regulation made thereunder.	August 04, 2005
Act No 13. of 2005	CARICOM Regional Organisation for Standards and Quality Act 2005	An Act to give effect to the Agreement establishing the CARICOM Regional Organisation for standards and Quality and for matters connected therewith.	August 04, 2005
Act No 14. of 2005	National Registration (Amendment) Act 2005	An Act to amend the National Registration Act.	November 17, 2005
Act No 15. of 2005	NONE ISSUED		
Act No 16. of 2005	Criminal Law (Offences) (Amendment) Act 2005	An Act to amend the Criminal Law (Offences) Act.	
Act No 17. of 2005	Environmental Protection (Amendment) Act 2005	An Act to amend the Environment Protection Act 1996.	November 30, 2005
Act No 18. of 2005	National Registration (Amendment) (No. 2) Act 2005	An Act to amend the National Registration Act.	August 4, 2005
Act No 19. of 2005	Supplementary Appropriation (No. 3 of 2005) Act 2005	An Act to provide for the issue from the consolidated fund of the sums necessary to meet the expenditure (not otherwise lawfully charged on the consolidated fund) of Guyana for the fiscal year ending December 31, 2005 estimates whereof have been those sum for the specified purposes: in conformity with the constitution.	November 30, 2005

Orders 56 (mainly Public Corporations Act, Customs Act)

Regulations 12 (Guyana Shipping Act, Mining Act, National Registration Act, Value-Added Act)

Appendix B: Selected Socio-Economic Indicators

ITEM	2005	2004	2003	2002	2001
1 National Accounts Aggregates					
1.1 Growth Rate of Real GDP	(3.0)	1.6	(0.6)	1.1	2.3
1.2 GDP at factor cost (US\$m)	644.6	652.7	631.0	617.8	602.5
1.3 GNP at factor cost (US\$m)	624.3	621.1	588.4	562.8	550.9
1.4 Per Capita GDP (US\$)	857.3	868.6	840.2	829.2	775.5
1.5 Per Capita GNP (US\$)	830.3	826.5	783.5	755.4	710.9
1.6 Gross National Disposable Income (US\$m)	790.8	795.2	763.7	705.2	705.9
1.7 Private Consumption as % of Gross Domestic Expenditure	53.7	49.2	44.8	45.1	47.5
1.8 Public Consumption as % of Gross Domestic Expenditure	21.1	21.8	23.7	21.1	19.6
2 External Trade and Finance (US\$m)					
2.1 Bal of Payments Current Account Balance	(167.1)	(70.0)	(60.6)	(106.7)	(128.3)
2.2 Imports of Goods and Non- Factor Services (G&NFS)	(981.2)	(854.5)	(743.8)	(758.9)	(775.4)
2.3 Exports of Goods and Non- Factor Services (G&NFS)	694.6	749.9	669.6	667.2	655.6
2.4 Resource balance	(286.6)	(104.6)	(74.2)	(91.7)	(119.8)
2.5 Imports of G&NFS/GDP(%)	152.2	130.9	117.9	122.8	128.7
2.7 Exports of G&NFS /GDP (%)	107.8	114.9	106.1	108.0	106.8
2.8 Net International Reserves of Bank of Guyana	160.5	136.6	176.1	183.7	187.2
2.9 External Public Debt Outstanding	1,100.4	1,071.2	1,084.6	1,246.7	1,196.7
3 PRICES, WAGES & OUTPUT					
3.1 Rate of Inflation (% changed in Urban CPI)	8.3	5.5	4.9	7.1	2.6
3.2 Public Sector Monthly Minimum Wage in G\$ (e.o.p)	24,828.0	23,204.0	22,099.0	21,047.3	20,045.0
3.3 %Growth Rate	7.0	5.0	5.0	5.0	5.5
3.4 Electricity Generation (in M.W.H)	528.4	514.9	488.9	512.7	504.8
4 POPULATION & VITAL STATISTICS					
4.1 Mid- Year Population ('000)	751.9	751.4	751.0	750.7	743.6
4.2 Population Growth Rate (e.o.p)	0.1	0.1	0.8	0.2	0.2
4.3 Net Migration ('000)	NA	NA	NA	NA	(12.0)
4.4 Visitor Arrivals ('000)	116.5	121.9	100.9	104.3	99.3
4.5 Crude Birth Rate (per 1,000 persons)	N.A	23.1	25.8	23.5	23.6
4.6 Crude Death Rate (per 1,000 persons)	N.A	N.A	7.3	7.3	6.6
4.7 Crude Marriage Rate (per 1,000 persons)	N.A	N.A	N.A	N.A	7.3
4.8 Infant Mortality Rate (per 1,000 persons)	N.A	24.7	21.6	22.1	17.7
4.9 Under 5 Mortality Rate (per 1,000 live births)	N.A	N.A	N.A	N.A	N.A
5 HEALTH AND EDUCATION					
5.1 Public Expenditure on:					
5.1.1 Education as % of National Budget	13.7	15.5	14.4	18.2	16.5
5.1.2 Health as % of National Budget	7.5	9.5	8.9	8.8	7.0
5.2 Number of Physicians Per Ten Thousand Population	4.3	4.2	4.1	4.6	4.4
5.3 Number of Nurses per Ten Thousand Population	34.0	34.0	14.0	10.5	10.5
5.4 Number of Hospitals Beds per Ten Thousand Population	43.5	43.6	43.6	42.4	42.4
5.5 Low birth-weight babies (<2500g.) as a % of live births	N.A	11.6	11.9	11.5	10.5
5.6 Severely Malnourished	N.A	1.0	0.6	0.7	0.6
5.7 Moderately Malnourished	N.A	9.3	8.8	9.3	11.8
5.8 Overweight	N.A	5.2	4.7	3.9	4.9
6 CRIME					
6.1 Reported Serious Crimes	2,808.0	3,450.0	2,941.0	3,470.0	3,512.0
6.2 of which: Homicides	125.0	131.0	206.0	142.0	79.0
7 EXCHANGE RATES					
7.1 Exchange Rates US\$	200.9	200.4	194.3	191.8	189.5
8 INTEREST RATES					
8.1 Prime Lending Rate	14.54*	14.5	14.88	16.25	16.79
8.2 Small Savings Deposit	3.38	3.42	3.46	4.29	6.7
8.3 Three Months Time Deposits	2.63**	2.59	2.81	3.7	7.2
Treasury Bill Rate	3.74	3.79	3.4	3.91	6.25
Public Domestic Debt (G\$m)	3,629	63,707	61,923	53,794	52,008

NA Not Available

* as at October 2005

** as at September 2005