

2008

FOCUS ON GUYANA'S NATIONAL BUDGET



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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 2008** is the eighteenth in the series which is circulated among politicians, the business community and the country representatives of international agencies operating in Guyana.

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.

Ram & 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, and Revenue Authority Acts, and the double taxation treaties signed by Guyana). These are also available individually along with the **Tax Act, Cap. 80:01**.
- **Value Added Tax and Excise Tax Acts, 2005**
- **Companies Act, 1991**
- **Securities Industry Act, 1998**
- **Insurance Act, 1998**
- **NIS Act, Cap. 36:01**
- **Mining Act, 1989**
- **Petroleum (Production) Act, Cap 65:05**
- **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 and Foreign Exchange (Miscellaneous Provisions) Act, 1996**
- **Bank of Guyana Act, 1998 and Financial Institutions Act, 1995**
- **Money Laundering (Prevention) Act, 2000**

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 1995-2008 (except 1998)
- Guyana Investors Information Package
- Focus on Guyana's National Budget 1991 - 2007
- Business Page (weekly column in the *Sunday Stabroek*)
- Value Added Tax and Excise Tax Handbook which includes annotated copies of the legislation.

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 continuing relationship with international partners provides us with access to worldwide resources and 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, LLB

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

Robert V. McRae, CPA, BSc., FLMI

Robert has more than thirty years experience in the areas of audit, accounting and insurance in Guyana and the United States of America. Robert also practises as a Certified Public Accountant in New York.

Rakesh V. Latchana, FCCA

Rakesh was admitted to the partnership on January 1, 2006 bringing the number of partners to three with a broad array of skills and expertise and equipping the Firm for the challenges faced by our varied clientele including changing technology, the Caribbean Single Market and Economy and the introduction of Value Added Tax in Guyana.

Acknowledgements

The Partners of Ram & McRae are truly grateful to have been once again afforded the opportunity to contribute to society through this publication. We would sincerely like to thank those members of staff who provided us with the will and strength to produce this publication in such a short period of time including Irzad Zamal, Oritta Holder, Sonia Persaud, Ravin Nauth, Timolyn Daniels, Cleaveland Gilkes, and Donna Dublin.

Christopher Ram, Robert McRae and Rakesh Latchana

February 22, 2008

Pre-Budget Comments

An editorial captioned "The Budget" in the Kaieteur News of February 18, 2008 concludes with the hope that citizens would become more involved in the budget process. That unfortunately was purely wishful thinking as the Minister of Finance had sent clear signals that he had no appetite for consultations and quite out of character, was not even prepared to extend to Red Thread an acknowledgement to their request for a meeting with him to make a submission.

President Jagdeo had by then taken much of the thunder from the Minister having announced a 25% increase in the Income Tax personal allowance from \$28,000 per month to \$35,000 and increases in old age pensions paid by the Government.

In the wake of the Lusignan and Bartica killings and faced with mounting pressure to produce results against the perpetrators, the President in announcing an allocation of \$1Bn to purchase two helicopters, linked the expenditure to roads saying that people "cannot say they want roads and then spend money on helicopters too," reminiscent of Burnham's "bread or hydro".

One letter-writer in the print media asked the Minister not to forget pensioners in the 2008 budget and for an increase in pension from \$6,000 per month to \$10,000 while acknowledging a recent increase from \$3,675 per month to \$6,000.

The Minister himself made news with the surprising announcement that the Government was embarking on widespread consultation aimed to transform Guyana into an offshore Financial Centre. The Minister elevated this idea into his Budget Speech but he must be aware of the serious risks of increasing narco-financing through such a vehicle, our incapacity to deal with money laundering, corruption and a weak detection and enforcement of white collar crime.

The other item which has from time to time been announced in the Budget was a 5% hike in pensions, announced instead by the National Insurance Scheme (including a 6.5% hike in the minimum rate) and which is likely to put further pressure on the Scheme. (See NIS in Commentary and Analysis on page 32).

Somewhat perversely, one of the interests in the Budget was to discover the sums collected by way of VAT in its year of introduction. On its introduction the Government was adamant that there was no room for zero-rating any additional items, that the rate of 16% was arrived at after careful analysis and that any concession to the pleas of trade unions, consumer groups and civil society would undermine the Act. As a compromise the Government has responded to calls by committing itself to monitor implementation and make adjustments as necessary to bring relief. The vast surplus would have been even greater had the Government not acted on the persistent and unified pleas.

Aubrey Norton of the PNC/R 1G described the Budget as a document that "is not what it used to be but has now become a political document." His comment was made in the context of the Government's refusal to disburse the subvention approved in the 2007 Budget for Critchlow Labour College. Conversely the Stabroek News of January 6, 2008 reported on the annual provisions being made for the Office of the Ombudsman even though the position has not been filled for a number of years and clerical staff redeployed.

Indeed a budget (2007) that required supplementary allocations of more than \$18Bn or 18% suggests that the budget was substantially understated or there is weak financial management or both.

Introduction

2007 was the year of Cricket World Cup, the single largest sporting event ever held in Guyana. It was an event on which billions were spent by the Government of Guyana and the private sector, yet there has been no analysis of the returns and the extent to which expectations were met. Significantly, visitor arrival numbers were about 12% above the preceding year. With World Cup done, we do have tourism and infrastructure assets but the Stadium for example, which may have cost close to \$10Bn to build, will have to be maintained at substantial annual cost.

Budget 2008 which had been planned for earlier in the year became a casualty of both the Lusignan (January 26) and Bartica (February 17) massacres. In the latter case the presentation was set for February 18th but the massacre on the evening before forced a cancellation. It was presented four days later on February 22.

Despite the extra days and the gravity of the situation only one paragraph on the Bartica massacre appears to have been added to the Budget Speech. The work of the Government and the nation must of course go on but the events of the weeks preceding the budget should have impressed on the Minister the pressing issues confronting the nation - crime, the increasing threat of flooding, inflation and the brain drain. To the extent that he dealt with any of these it was how many billions the Government was going to spend.

The ability of the economy to withstand the pressures of crime and spiralling prices will be tested in 2008 as Carifesta returns to Guyana. This and other significant events such as local government elections, the completion of the Berbice Bridge and the Skeldon Modernisation Project were the backdrop against which Minister of Finance Dr. Ashni Singh presented a G\$119Bn budget - 8.5% higher than the latest estimates of 2007. The main aspects of the Speech are set out on page 7.

In the period leading up to the Budget, the Minister departed from practice and neither invited submissions nor acknowledged at least one request for a meeting. This is in contrast to the urgent consultation the President has engaged in on the crime issue and probably reflects the Minister's confidence in his ability to manage the economy without any inputs from others. Perhaps the most significant item to come out from the Speech was the vast windfall generated by the Value-Added and Excise Taxes, some \$12.6Bn more than budget, or 49%. The excess on VAT alone was 76% but because the Government linked the two when it committed itself to revenue neutrality, it should be given that benefit. The surplus - however measured - is huge and raises questions about the thoroughness with which the projections were prepared and it would now be immoral for the Government to renege on its commitment to adjust the rate of the tax to make it revenue-neutral.

Fear had earlier been expressed that with this Government's tendency to spend, it would resist strongly any calls for a reduction in the VAT rate. The nation now waits to see whether that fear will be realised.

Another concern is the obsession with secrecy - the Statistical Bureau suddenly stopped posting inflation figures on its website after July when the rate appeared to be heading above 15%. In fact the 14% rate announced by the Minister is likely to be controversial and it would be strange for the Statistical Bureau to claim authorship for the 14% rate of inflation announced by him. And another institution which comes within the Finance portfolio, the Bank of Guyana also delayed the publication of its very important half-year report raising doubts about its real independence.

While the Minister reported growth of 5.4% in 2007, he is projecting a lower figure in 2008 of 4.8% but with a dramatic decline in inflation from 14% to 6.8%. He gave no indication how he would achieve the drastic reduction in the rate of inflation and whether the Statistical Bureau would resume their duty to publish monthly figures.

The disclosure of the tax revenues shows a dramatic increase in the Tax/GDP Ratio, a measure of the tax burden on the population. Coupled with food inflation of 21% and clothing of 14.8%, the challenge to the low-and no-income persons and households must be enormous. Yet oblivious to these realities the Minister considered wage increases of 9% to public sector employees "Development"

Questions also arise when the Latest Estimates for 2007 are compared with the Budget for that year. The original total budget was \$99.96Bn and subsequent supplementary allocations of \$18Bn or 18%. The latest estimates show a total of only \$107.6Bn and the issue is whether the supplementary provision of \$9.4Bn rubber-stamped by the National Assembly in January 2008 in respect of 2007 was incorporated in the latest estimates for 2007 presented by the Minister. The wanton use of Supplementary Appropriations certainly reduces the controls that are inherent in any budgetary system. Just over the past four years, annual supplementary appropriations have averaged \$13.4 billion!

	2004	2005	2006	2007
	<u>\$ '000</u>	<u>\$ '000</u>	<u>\$ '000</u>	<u>\$ '000</u>
Budgeted	75,611,015	86,431,609	102,922,239	99,962,490
Supplementary	8,994,400	14,793,324	13,101,867	18,077,786
% of budget	11.9%	17.1%	12.7%	18.1%

Source: Annual estimates and Legislation for Supplementary amounts

It is also worth pointing out that the amount stated as VAT collections for 2007 only includes the amount actually paid over by the Guyana Revenue Authority, nor does it include the VAT and Excise Tax payments for December which would have been paid over some time late in January.

The State auditors are the Office of the Auditor General and its persistent late completion of the annual audit of the Central Government finances raise doubts whether they have the capacity to audit in a timely manner accounts for the Government which has increasing sums at its disposal including the Lotto Money that are still not being properly accounted for in accordance with the Constitution.

The Auditor General's Report for 2006 due no later than September 30 2007 has not been presented five months later and by the time that it is published it will be of little value. The Audit Act 2004 gives some oversight role of the Office to the Public Accounts Committee of the National Assembly but the Standing Orders of the Assembly seem to allow the exercise of that authority only when reports are actually tabled in the National Assembly. Interpreted strictly, the PAC has no authority to request an explanation for the delay from the Auditor General. That is an unwholesome situation that demands urgent attention particularly given the approach by the Government to the spending of public funds.

The Budget again introduces no major measures but the zero-rating of additional items under the Value-added Tax Act would bring some measure of relief to those below the poverty line. The

Guyana Millennium Development Goals 2007 report noted that the percentage of the population living below the poverty line was 35% while those in extreme poverty was 19% (this latest available information is however dated 1999). The Minister in his presentation proudly announced that some fifty thousand persons would benefit from the increases in old age pensions to \$6,000 per month and public assistance to \$4,500 per month.

That we as a society and Government take pride in such an announcement given the sums of money involved is a measure of how insensitive we have become as a society and how misguided our economic policies are.

It was the first Budget Speech presented by the Minister after a full year in charge of the Finance portfolio. It does not inspire confidence that he brings to the job any fresh ideas or approaches. He seems satisfied with taxing and spending with little regard for the state of the economy, the impact on consumers and taxpayers and the absence of strong controls to ensure that public monies are not wasted and are properly accounted for.

He is directly responsible for concealing information on payments of tax collections into the Consolidated Fund until its release was absolutely unavoidable. Less directly, he is responsible for the failure of the Statistical Bureau and the Bank of Guyana to do what is expected of them including operating in an independent and transparent manner. The Minister exercises functional oversight over both entities.

It was not a good year for the Minister.

Speech Highlights

2007 Facts

- Growth in real GDP of 5.4% compared to a target of 4.9%, half-year annualised growth of 5.8% for the first half of the year and growth of 5.1% in 2006
- Overall balance of payments deficit of US\$1.4Mn compared with a surplus of US\$42.9Mn in 2006 and a projected surplus of US\$41Mn for the year.
- The 91-day Treasury bill rate decreased from 4.16% in 2006 to 3.9%
- Inflation rate of 14.0% compared to a target of 5.2% and 2006 rate of 4.2%
- Depreciation of the Guyana Dollar to the US\$ was a modest 1.28%. Average market mid-rates for US\$ appreciated by 0.18% but in relation to the Canadian dollar, Pound Sterling and the Euro there was depreciation of 13.8%, 5.4% and 8.9% respectively.
- Increase in Current Revenue collections by 28.6% from G\$62.5Bn in 2006 to G\$80.3Bn
- Minimum public sector wage of \$28,415 per month compared to \$24,828 in 2006
- Growth in sugar 2.7%, mining & quarrying 22.7% (bauxite 51.6% and raw gold 15.7%), engineering & construction 5.7%, transportation & communication 13%, and distribution 9%. The manufacturing sector grew by 1% with increases in plywood, paints, stockfeeds and electricity generation while rum and flour production reported reduced output.
- Major sectors with declines were rice 2.9%, forestry 11.1% and diamond declaration 21%.
- Exports increased by 16.4% to US\$680.9Mn compared to increase in imports by 20.1% to US\$1,062.5Mn contributing to a trade imbalance of US\$381.7Mn up from US\$299.8Mn in 2006
- Current account deficit of US\$231.9Mn (2006 US\$250.3Mn) and net inflows on the capital account of US\$238.7Mn (2006 US\$268.6Mn)

Targets - 2008

Size of the Budget: \$119.3Bn, 8.5% Increase

- Inflation of 6.8% with growth in Real GDP of 4.8%
- Current revenue of \$81.7Bn, an increase of 1.7% over 2007
- Balance of payment surplus of US\$3.6Mn.
- Current expenditure (excluding interest) of \$68.0Bn, an increase of 16.2% over 2007.
- Overall deficit of non-financial sector to decline from \$16.6Bn (7.6% of GDP) to \$14.1Bn (6% of GDP)
- Increase in overall deficit after grants to \$11.4Bn or 4.8 percent of GDP
- Capital expenditure is projected to decrease by 4.8% to \$40.9Bn.

Review 2007

Economic Targets

Sector	2008 Budget %	2007 Actual %	Half Year	2007 Budget %	2006	
			2007		Actual	Budget
			Actual %		%	%
Real GDP growth	4.8	5.4	5.8	4.9	4.7	4.3
Sugar	8.8	2.7	11.7	9.8	5.5	28.0
Rice	7.6	(2.9)	19.5	4.6	12.4	4.5
Livestock	2.5	2.0	(20.3)	2.0	NA	(3.0)
Forestry	3.0	(11.1)	(5.0)	5.0	11.0	4.0
Mining and Quarry	5.8	22.7	20.5	3.6	(22.4)	(15.4)
- Gold	(2.7)	15.7	20.8	2.5	(25.3)	(40.0)
- Diamonds	NA	(21.0)	(11.8)	4.5	(7.6)	(5.0)
- Bauxite	17.1	51.6	21.2	0.2	(9.2)	77.6
Manufacturing	3.0	1.0	(10.2)	4.0	4.0	2.0
Engineering and construction	4.0	5.7	6.6	5.0	12.0	4.5
Services	NA	NA	5.9	NA	NA	NA
- transport and communication	8.0	13.0	10.0	10.0	10.0	4.0
- distribution	5.0	9.0	10.7	4.0	10.0	4.0
- rent of dwellings	2.0	3.0	NA	2.0	NA	1.5
Financial Services	5.5	7.0	6.2	4.3	8.0	2.0
Other Services	4.0	5.0	NA	6.0	NA	2.0

NA Not available

Source: Annual budget speeches and Bank of Guyana Half Year reports.

The Global Economy

The Minister reported global growth of 4.9% in 2007, continuing a trend over the past three years. Despite financial instability in sub-prime mortgage markets, the US economy moved along at a rate of 2.2% while the Asian giant China had double-digit growth of 11.4%.

In the Caribbean the greatest threat was inflation causing Heads of Government to hold an Emergency Meeting of CARICOM Heads to discuss, *inter alia*, the *Jagdeo Initiative* including an agreement whereby Guyana would offer land to citizens of other Member states to engage in agriculture production.

Growth in the global economy is expected to be lower at 4.1% in 2008 with fears of a recession in the United States while growth of 6.9% is projected for emerging and developed economies by 6.9%.

The Domestic Economy

	Target 2008	Actual 2007	Target 2007	Actual 2006
Real GDP growth	4.8%	5.4%	4.9%	4.7%
Inflation rate	6.8%	14.0%	5.2%	4.2%
Current account deficit of the balance of payments	US\$ 246.3Mn	US\$ 231.9Mn	US\$ 175Mn	US\$ 181.4Mn

There was an increase of 5.4% in real GDP from a positive growth of 4.7% in 2006 against a projected 4.9%. Half-year performance reported by the Minister of Finance during November was 5.8% with significant performance in the agriculture, mining, engineering & construction and service sectors.

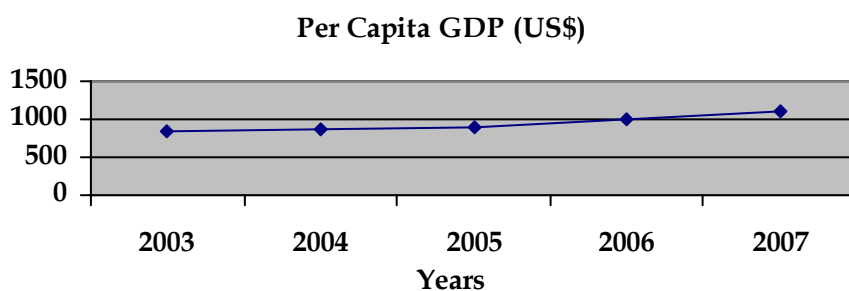
While sugar production grew by 2.7% over 2006, there was a shortfall of 18,518 tonnes attributed to less favourable weather patterns and industrial action. In rice, 23,061 acres were lost because of the effects of heavy rains, resulting in a decrease in output of 2.9%. The forestry sub-sector which has been affected by weather and stricter regulations had negative growth of 11%.

Mining and quarrying recovered tremendously by 22.4% as bauxite and gold returned healthy performances. With heavy investments over the last two years by RUSAL, positive indicators were seen in the increases of Metal Grade 21%, Chemical Grade 31% and the high valued Refractory Grade 11% in achieving 61.4% of the 1.542M tonnes targeted for the year. Other contributions were made by Bosai Minerals of China being a 70% stakeholder in Omai Bauxite Mining Inc (OBMI) previously owned by IAMGOLD of Canada.

Influenced by high gold prices on the international market and suitable weather conditions, raw gold declarations were 238,928 ounces exceeding the previous year by 15.7%. Diamond declaration fell by 21% to 268,925 carats.

The manufacturing sector had an overall decline of 1% but engineering and construction reflected in an 11% growth and telecommunications 13%.

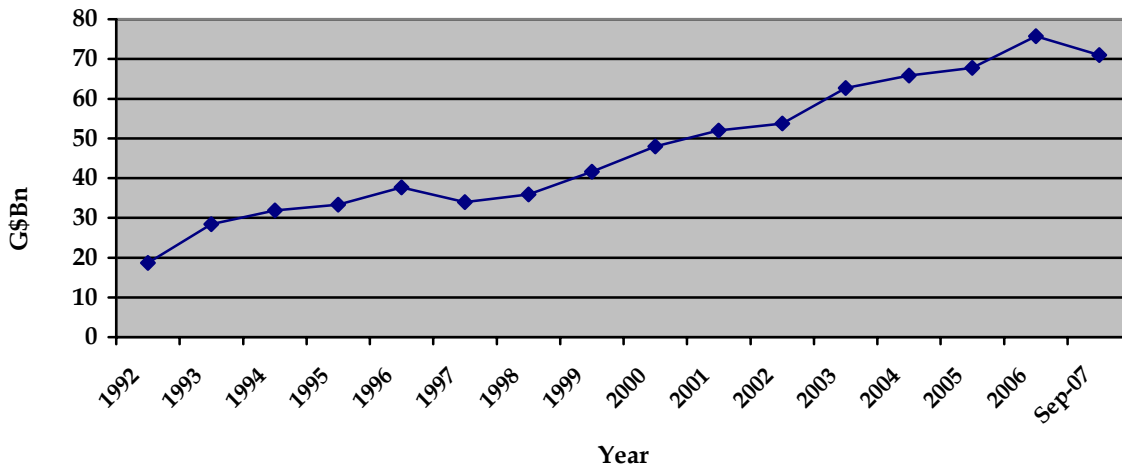
Per capita GDP for 2007 was US\$1,111 compared with US\$992.4 in 2006.



Source of information – Bureau of Statistics

Domestic Debt

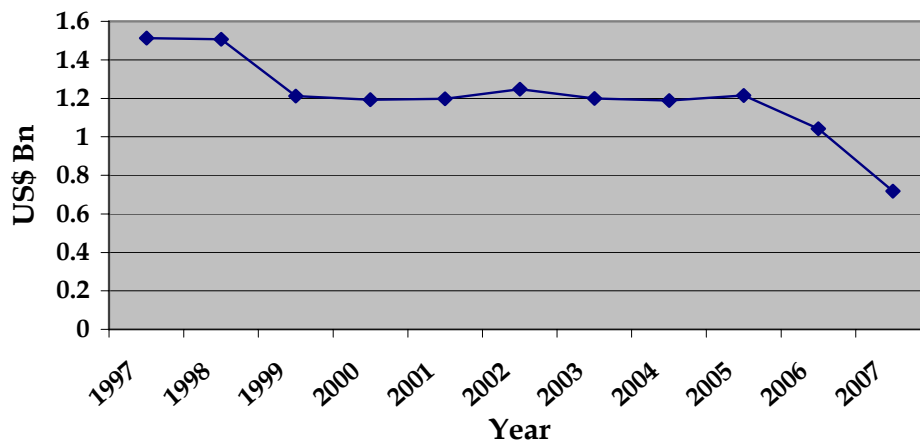
The growth in the domestic debt from 1992 to September 2007 is shown in the following graph:



Source of information – BOG Statistics – All shown at December except 2007.

External Debt

The movement in the external debt from 1997 to 2007 is shown in the following graph:



The external debt on the other hand declined dramatically to its lowest for decades. The decreased stemmed from debt relief from various resources including the Paris Club debt, Japan and Cuba. The implementation of the Inter-American Development Bank’s Multilateral Debt Relief Initiative (MDRI) from January 2007 cancels all debt outstanding debts incurred prior to December 31, 2004 resulting in savings of approximately US\$20Mn.

Balance of payments

The current account on the balance of payment reflected a deficit of US\$1.4Mn in 2007, a substantial decrease of US\$44.3Mn over 2006.

Balance of Payments Stated in US\$ Mn	Budget 2008	Revised 2007	Budgeted 2007	2006
CURRENT ACCOUNT	(246.30)	(231.90)	(175.00)	(250.30)
Merchandise trade	(388.10)	(381.70)	(305.00)	(299.80)
Services (net)	(135.60)	(137.00)	(90.00)	(166.80)
Transfers	277.40	286.80	220.00	216.30
CAPITAL ACCOUNT	249.90	238.70	235.00	268.60
Capital Transfers	79.80	414.10	80.00	315.60
Non - financial public sector	59.30	(232.80)	50.00	(145.30)
Private capital	130.70	152.40	123.00	102.40
Short term capital	(19.90)	(95.00)	(18.00)	(4.10)
Errors and Omissions	-	(8.20)	(19.00)	24.60
Overall balance	3.60	(1.40)	41.00	42.90

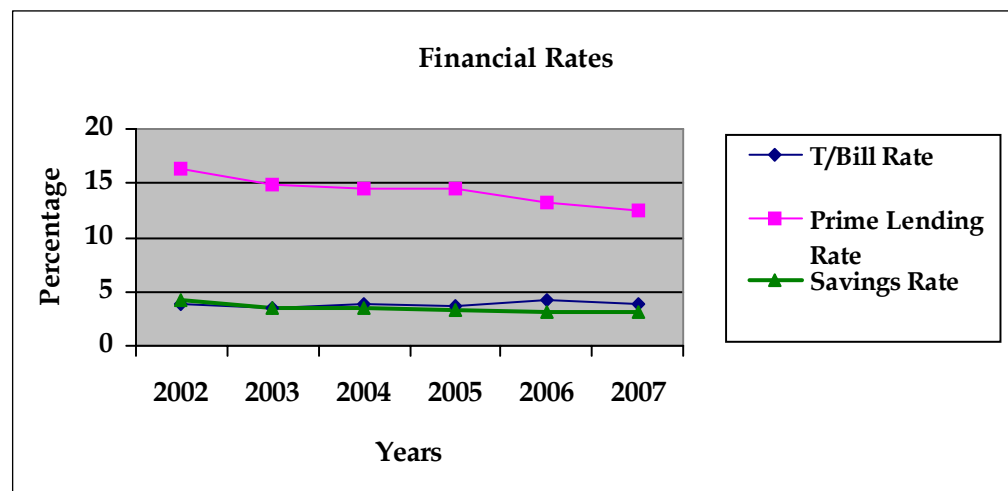
Source of information - *Estimates of the Public Sector*

The reported private transfers representing remittances and in-kind transfers amounted to US\$286.8Mn being US\$36 million more than the export earnings from rice and sugar combined!

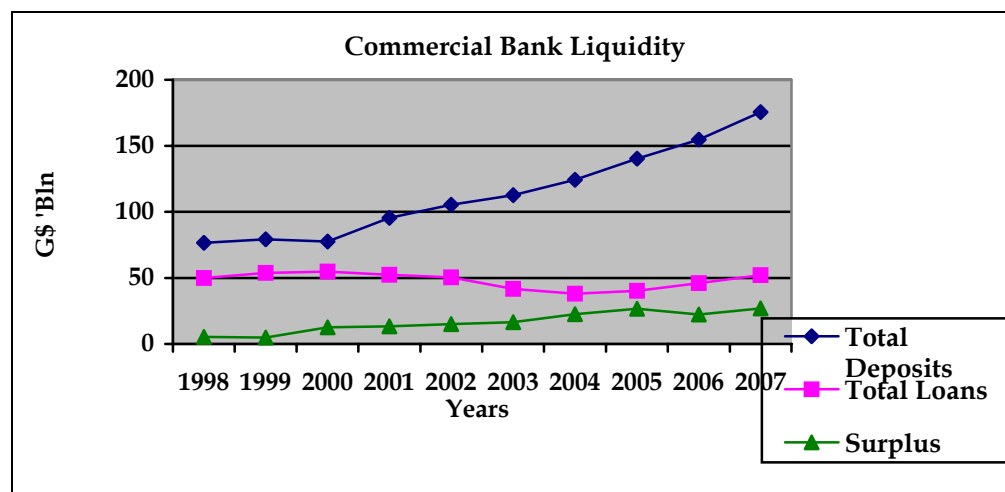
Banking and Interest Rates

There were small reductions in the 91-day treasury bills rates from 4.2% to 3.9% and the small savings rate from 3.4% to 3.2% while the weighted average lending rate increased from 14.5% to 14.7%.

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

There was a slight depreciation in the value of the Guyana dollar to the US dollar from G\$200.92 to G\$203.49 per US dollar, an increase of 1.3%.

Ram & McRae's Comments

- For the first time the Minister presented a Mid-Year Report as required under the Fiscal Management and Accountability Act 2003. Even though the Report was not presented until late in the year it was helpful in that it is possible to assess the full year performance within the context of the Half-year.

A better assessment of the half year performance would also have been helped if the Bank of Guyana had published, in a timely manner as they had always done previously, their comprehensive Half Year Report for 2007. Without any explanation the Bank delayed the publication of their report until after the Minister had presented his. The Bank allowed a dangerous precedent to be set, one that could compromise its independence and it is hoped that there will be no repeat this year.

- The growth in the economy of 5.4% exceeded target but given the billions spent for Cricket World Cup, both the target and the actual have to be considered modest.

Some of the growth reported does not seem entirely logical in the context of what was reported for the first half of the year. For example livestock and manufacturing both had substantial negative growth in the first half of the year of 20.3% and 10% respectively but both managed in the second half not only to wipe out the deficit but to record growth for the year as a whole. That is all the more doubtful in the context of the difficulties which the country's leading beer manufacturer had with competing smuggled products in late 2007.

- The most significant development was the dramatic increase in inflation from 4.2% in 2006 to 14% in 2007. At mid year the rate was 12.2% and there were fears of an even higher outturn.

- The same difficulties of logic apply to some of the sectoral growth projections for 2008 such as bauxite, distribution and transportation and communication all of which were on an upward trajectory in the second half of 2007 but which are expected to have more modest growth in 2008.
- Some sector output appears to have been revised for the year 2006 as shown in the following table:

	<u>2006</u>	<u>2007</u>	<u>Change</u>		<u>Reported</u>
Sugar (tonnes)	259,588	266,482	6,894	2.7%	2.7%
Rice (tonnes)	307,041	298,198	(8,843)	-2.9%	-2.9%
Bauxite (tonnes)	1,538,587	2,242,928	704,341	45.8%	51.6%
Gold (ounces)	200,000	238,928	38,928	19.5%	15.7%
Diamonds (carats)	330,000	268,925	(61,075)	-18.5%	-21.0%

Source: 2007 and 2008 Budget Speeches

- The Minister noted that Capital expenditure increased by 2.6 percent to \$42.9 billion and included spending on the “electrification programme, including, on the acquisition of interim power generation, network expansion and loss reduction activities, increased investment in the provision of coastal water, on the implementation of, machine readable passports, and in acquiring equipment for house to house registration and, in preparation for local government elections.”

An additional \$2.7Bn has been allocated to the Guyana Elections Commission in the 2008 budget primarily for funding of house-to-house registration and local government elections (see *Who Gets What in 2008* on page 26).

Given the vast sums involved, the Minister should present information on the expected results of these investments such as the loss reduction to which the investment is linked in GPL to enable members of the public to evaluate the benefits of this expenditure.

- The commercial banking and other financial houses have considerable liquidity which has tended to keep deposit rates low. The solution of course lies in part with the banks implementing solid business plans. There was however a 19% increase in the domestic credit as the banks aggressively pursued lending opportunities.
- The domestic debt had a modest decline, the first in several years, due partly to a settlement with one the financial houses.

2007 Legislation

Thirty-one (31) Bills were passed by the National Assembly in 2007. Of these, thirty were assented to and have therefore become law (please refer to Appendix A). Major Acts of business interest passed in 2007 are as follows:

1. The Gambling Prevention (Amendment) Act 2007
2. Value-Added Tax (Amendment) Act 2007
3. Income Tax (Amendment) Act 2007
4. High Court (Amendment) Act 2007
5. Deeds Registry Authority (Amendment) Act 2007

Additionally, a significant number of Acts were passed to enable Guyana to host the ICC Cricket World Cup 2007.

The Gambling Prevention (Amendment) Act 2007

The Act amended the Gambling Prevention Act (Cap. 9:02) to allow for regulated gambling and was referred to as the Casino Gambling Act. The Minister did not refer to casino gambling in his Speech or to the proposed new hotel which many had considered as the *raison d'être* behind the decision to go casino..

Value-Added Tax (Amendment) Act 2007

The Act amended the Value-Added Tax Act 2005 to empower the Minister to amend the schedules of zero-rated and exempt supplies under the Act, subject to negative resolution of the National Assembly.

Income Tax (Amendment) Act 2007

The Act amended the Income Tax Act to provide for an increase in the personal allowance from \$300,000 to \$336,000.

High Court (Amendment) Act 2007

The Act amended the High Court Act to empower the Chancellor to give directions of a general or special nature in respect of the distribution of business before the High Court and give the Chancellor a supervising power over the Chief Justice in relation to the distribution of work in the High Court.

Deeds Registry (Amendment) Act 2007

The Act amended the Deeds Registry Authority Act - which has not been brought into force - to remove the functions of the Registrar of Deeds in relation to the Land Registry Act, Cap. 5:02 and bring section 5(2) of the Deeds Registry Authority Act into compliance with the Constitution.

Bills

Two Bills were tabled in respect of the forestry sector of which one was passed by the National Assembly (but not assented to by the President) and one was sent to a Special Select Committee of the Assembly.

Anti-Money Laundering, Countering the Financing of Terrorism Bill 2007

The passage of stronger anti-money laundering legislation, promised in the Budget Speech of 2007, has reached only the Select Committee stage in the National Assembly and was perhaps the most important piece of legislation to have been tabled in the National Assembly during 2007. As part of the Government's fight against drug trafficking, arms smuggling and trafficking in persons, such legislation is urgent and Parliament needs to act far more expeditiously to operationalise the legislation.

Law Reform

We have made reference to several pieces of legislation on which little or no action has been taken. More generally however, is the state of all the laws of Guyana. A revision of the laws commenced under the Guyana Justice Improvement Project by the Law Revision Commission and initially, the laws were to be revised with reference to 30 June 1998.

Revised Laws of Guyana were made available for sale to the public in the format of a CD-ROM several years ago. However, their deficiencies soon became apparent as they did not include subsidiary legislation, mis-numbered some laws (e.g. The Securities Industry Act 1998 included as Cap. 73:04, the Companies Act 1991 is included as Cap. 89:01, and the Money Laundering (Prevention) Act 2000 is included as Cap. 85:09), and most importantly the correct position taken by the courts not to recognise the product of the exercise.

These limitations were brought to the attention of the Attorney General and Minister of Legal Affairs, the then Chancellor, Chief Justice and the President of the Bar Association by Mr. Brynmor Pollard, CCH who was himself involved in the last law revision in 1973.

It would be inaccurate to suggest that the recent exercise was a complete waste of money but it does raise questions about the seriousness of the Government in relation to laws and the spending of public funds.

Guyana lags every single other CARICOM country in the state of its laws, some of which go back to the 18th and 19th centuries. If we are serious about becoming competitive in CARICOM, let alone globally, we need to address urgently a complete overhaul of the laws.

Unfinished Business

Every year, Focus tracks the implementation of the key issues and policies identified in previous Budget Speeches. Where it seems clear that some issues have been abandoned, such as the Tax Court and legislation on bankable property rights, we disregard these but it must be remembered that failure to meet major obligations such as the several Constitutional Commissions and the appointment of an Ombudsman are not even acknowledged.

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 started during 2005. No update was provided by the Minister.
- **The Skeldon Modernisation Project** - The rescheduled completion target of February 2008 has not been met and the Minister of Agriculture was quoted recently as having some concerns about capacity utilisation since available cane will only utilise 40%. This shortage can seriously affect the economics and the payback period for the very substantial amounts spent on this project.
- **Feasibility work to be done for alternative generations of energy form wind, solar, hydro and biological sources** - No progress report but it is already obvious that expectations for any major Hydro-Electricity project were way too optimistic.
- **Freedom of Information Act** - The PPP/C had committed itself to such an Act in its 1997 Manifesto "within that term." Eleven years later the Government has resisted in the National Assembly the passage of such a Bill initiated by the opposition. This is regrettable since such legislation guarantees every citizen the right to public information and strengthens accountability.
- **The Deeds Registry Act** - No progress. The Registry is the regulator for the Companies Act and this Act requires setting up of an advisory board. Failure means that a 19th Century regulator is being asked to regulate a 21st Century piece of legislation.

Although there is no guarantee that better procedures would prevent improprieties; inefficiencies and the corruption in the Deeds Registry were highlighted in a recent court case involving customs evasion running into hundreds of million of dollars.

- **Review of the Companies Act, 1991, the Partnership Act, the Business Names (Registration) Act and the Friendly Societies Act** - Nothing was done on the review of the Companies Act 1991 despite a pledge by the PPP/C in their 1997 Manifesto. Ever since the Companies Act was introduced in 1995, it was acknowledged that there were both errors of commission and one particularly significant omission in relation to non-profit organisations creating particular difficulties for such organisations. Additionally, as companies, attorneys and academics began to apply the Act certain additional areas of difficulty have surfaced while new legislation such as the Banking, the Financial Institutions and the Insurance Acts all have some impact on the Companies Act 1991. The need for a review is therefore quite compelling.

- **Action plan based on the Labour Market Study as addressed in the Draft 2005 PRSP Progress Report** – There is no indication whether this has been done.
- Full implementation of the **Fiscal Management and Accountability Act** – This Act has been observed more in the breach even by the Minister of Finance whose Mid-year Report was more than three months after the deadline.
- **Establishment of a family court** – Committed to several years ago – and again by the Minister in his 2007 Budget Speech.
- **Review of tax exemptions** – The Minister announced in the 2008 Budget that he would conduct a study of the tax system to determine how they can implement further tax reform. Ram & McRae had long argued that VAT should have been part of tax-reform and the announcement by the Minister suggests little appetite for any real reform.
- **Reform of judiciary** – As a result of a court decision the positions of acting Chancellor and Chief Justice have been decoupled and three judges including the judge of the Commercial Court have been appointed to the Court of Appeal. The Minister has announced measures under a new Justice Improvement Project but the results of several years of such effort have not been very successful.
- **Bank of Guyana Reform** – No report.
- **Amendments to the Anti Money Laundering Legislation** – In June 2007, the ‘Anti-Money Laundering and Countering the Financing of Terrorism Bill 2007’ was sent to a Special Select Parliamentary Committee for wider consultation. See 2007 Legislation on page 15.
- **National Drug Strategy Master Plan** – Measured by successful prosecutions, this Plan has had minimal effect and cannot be separated from a more comprehensive Crime Plan.
- **The Institutional Strengthening Project in the Office of the Auditor General.** More money being spent but results uncertain. This project substantially funded by the Inter-American Development Bank, approved in December 2006, is still in the implementation stage.

The long list of unfinished business suggests that policy pronouncements are not always taken with the seriousness they deserve. Perhaps the Minister should have someone review past budget speeches to identify, prioritise and even discard pronouncements to ensure that matters are addressed.

2008 Policy Issues and Targets

In introducing the financial targets for 2008, the Minister announced that the budget is crafted in the context of maintaining macroeconomic stability in the face of an increasingly challenging external environment.

Comment: Ministers of Finance seem overly obsessed with “macro-economic” issues, ignoring good governance, poverty and people. Perhaps the Government should consider investing in the depressed villages across the country and set aside money for such development. Doing the same things will not produce different results and clearly the policies that have been pursued have impoverished some communities.

Real GDP Growth - 4.8%

- The projected rate of 4.8% is lower than achieved in 2007 and 1.3 percentage points below that projected in the Guyana Poverty Reduction Strategy Paper.
- The coming into operation of the GUYSUCO Skeldon factory is projected to boost the productivity of the sugar industry in which output is projected at 290,000 tonnes, representing an increase of 8.8% over 2007. Production at the Skeldon factory itself is expected to increase by 38.8% to 38,500 tonnes, representing 45% of the total increase projected.
- The rice industry is projected to grow 7.6% or 321,000 tonnes. The forestry and fishing sectors are both projected to grow by 3% whilst livestock and other agriculture are both projected to grow by 2.5%. Please refer to **Review 2007** on page 8 for comments on the performance of these sectors in 2007.
- The mining and quarrying sector is targeted to grow by 5.8%. The bauxite industry should yield increased output of 17.1% or total output of 2,626,000 tonnes which would reflect the sustained returns on the investments being made in the sector.
- The gold mining sector would continue to feel the effects of lost contribution by Omai Gold Mines Limited and a decrease of 2.7% to 231,750 ounces is projected. This is despite a 15.7% increase in 2007 on account of high international prices.
- Engineering and construction is targeted to grow by 4% reflecting the continued growth in the housing, services and commercial sectors. This is somewhat surprising since the heavy capital expenditure of the past few years in preparation for the ICC Cricket World Cup 2007 would have boosted the sector. The manufacturing sector is projected to grow by 3%.
- Growth of 8% is projected in the transport and communication sector, reflecting the continued strong activity in both the domestic transportation and the telecommunications sub-sectors. The rate of growth is however significantly lower than the rate of growth in the latter half of 2007.

The Minister said that the hosting of CARIFESTA X is expected to increase the economic activity in many sectors during 2008. The considerations which informed the decision to volunteer hosting this event when no one else would, have not been shared with the nation. It is time to do good rather than feel good, to invest in people and communities rather than grand events. We need to reduce waste and corruption and make informed spending and investment decisions.

Monetary Policy & Inflation

The Minister announced that the rate of inflation for 2008 is projected at 6.8% compared with a target of 5.2% and actual of 14% in 2007.

An overall rate however masks some significant variations and the highest group is food which consumes the majority of the disposable income of the lower income persons and the resources of pensioners and the unemployed.

Given the impact on prices following the introduction of VAT and the impact of increased prices of imports, the inflation target seems unrealistic even allowing for an increased range of zero-rated items under VAT. Despite having argued consistently that VAT is not responsible for the price surge in 2007, the Minister is now implicitly conceding that VAT does contribute to an increase in prices.

His announcement to zero-rate additional items is however welcome and we recommend that he needs to go further and zero-rate all those items that were free of Consumption Tax or had rates lower than the VAT rate.

Balance of Payment

(please refer to table on page 11)

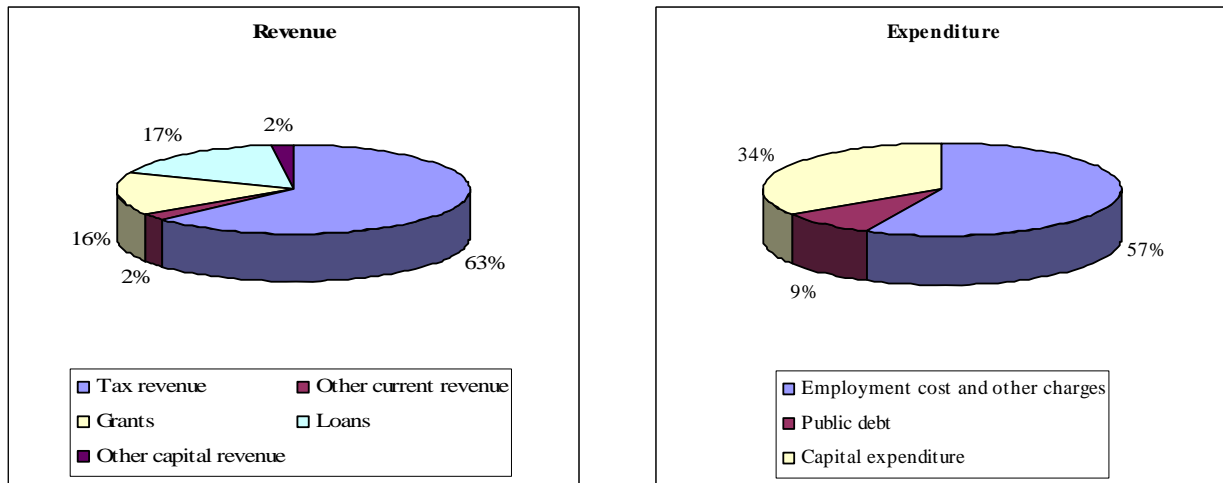
The Minister projects the overall balance of payments to return a surplus of US\$3.6Mn compared with a deficit of US\$1.4Mn in 2007. On the trade side, merchandise exports are projected to increase marginally to US\$736.9Mn, with the principal contributors being bauxite (US\$28.5Mn), timber (\$12.2Mn) and Sugar (\$10Mn). Merchandise imports are projected to remain fairly stable over the prior year at US\$1.1Bn. With net imports of services at US\$135.6Mn, and private transfers of US\$277Mn., the balance on the current account is projected to have a net deficit of US\$246.3Mn.

The capital account is projected to improve to US\$249.9Mn in 2008 (US\$238.7Mn in 2007). In this account, a net inflow of US\$190Mn is expected from medium and long term capital while a net outflow of US\$19.9Mn is expected from short term capital.

As we build our stock of physical capital, our imports will continue to exceed exports but no country could afford to do this indefinitely. This is an issue that we as a country will have to confront sooner rather than later.

Revenue and Expenditure

Revenue and expenditure for the year 2008 is represented as follows:



Source: Estimates of the Public Sector

For a discussion of these, please refer to *The Government of Guyana Financial Plan 2007* section of this Report on page 19.

Other issues

The size of the 2008 budget is G\$119.3Bn which is 8.5% more than 2007 latest estimate and 19.3% higher than the 2007 budget.

The total receipts of public enterprises are projected to increase to G\$100.6Bn or by 11.6% mainly as a result of projected strong performance by Guysuco in the area of production and exports, whereas total expenditure is expected to increase to G\$103.3Bn or by 14% in 2008. Projected public expenditures comprise primarily purchases of goods and services of G\$62.3Bn and wages and salaries of G\$21.3Bn.

The overall deficit is projected at G\$2.7Bn or 1.1% of the projected GDP.

The deficit of the non-financial public sector is projected to decline to G\$14.1Bn or by 6% of projected GDP or to G\$16.6Bn or by 7.6% of GDP recorded for 2007.

The growth in the budget seems a function of the juicy VAT. The Minister should explain to his colleagues and the State Media that the size in a budget is not an indication of proper management or the benefits that will accrue. In fact in our case it is a measure of the amount of taxes exacted from the people and borrowings.

The Government of Guyana Financial Plan 2008

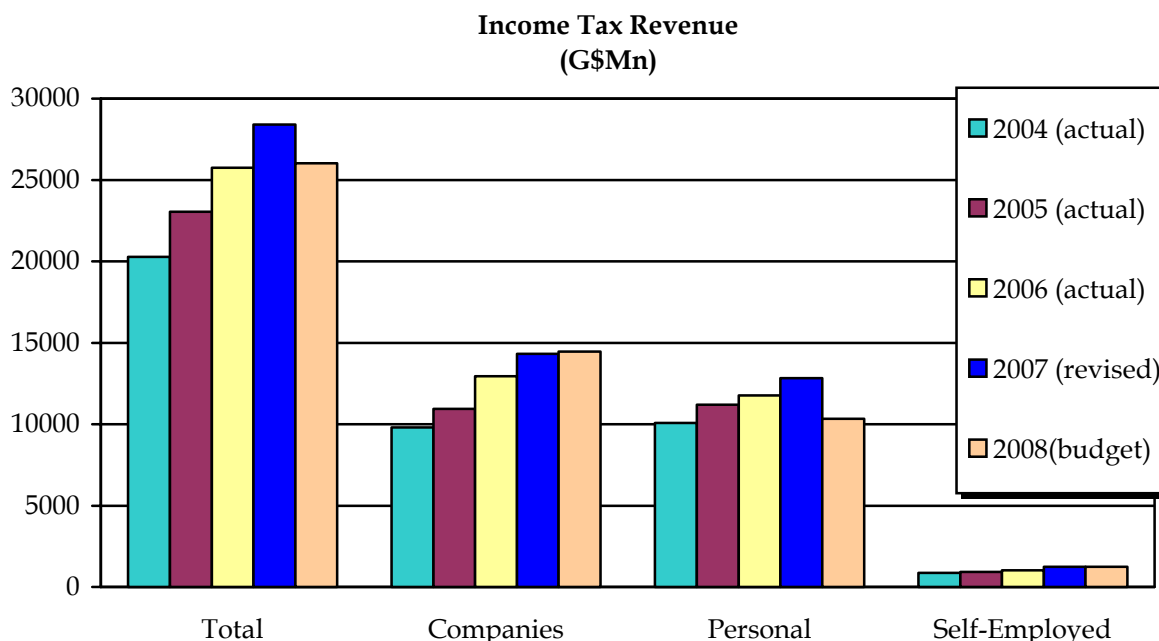
The table on page 24 presents a summary of the Government's projected Financial Plan for 2008.

The 2008 Plan projects a current balance of G\$8.7Bn, a decline of \$8.5Bn from the revised 2007 results.

The main elements of the 2008 Plan are:

Current revenues are projected to increase by G\$1.3Bn to G\$81.6Bn for 2008 from G\$80.3Bn in 2007. The Guyana Revenue Authority is expected to bring in revenues of \$78.2Bn or 96% of current revenue. The GRA's collection will therefore increase by \$0.92Bn, or 1.2% over 2007.

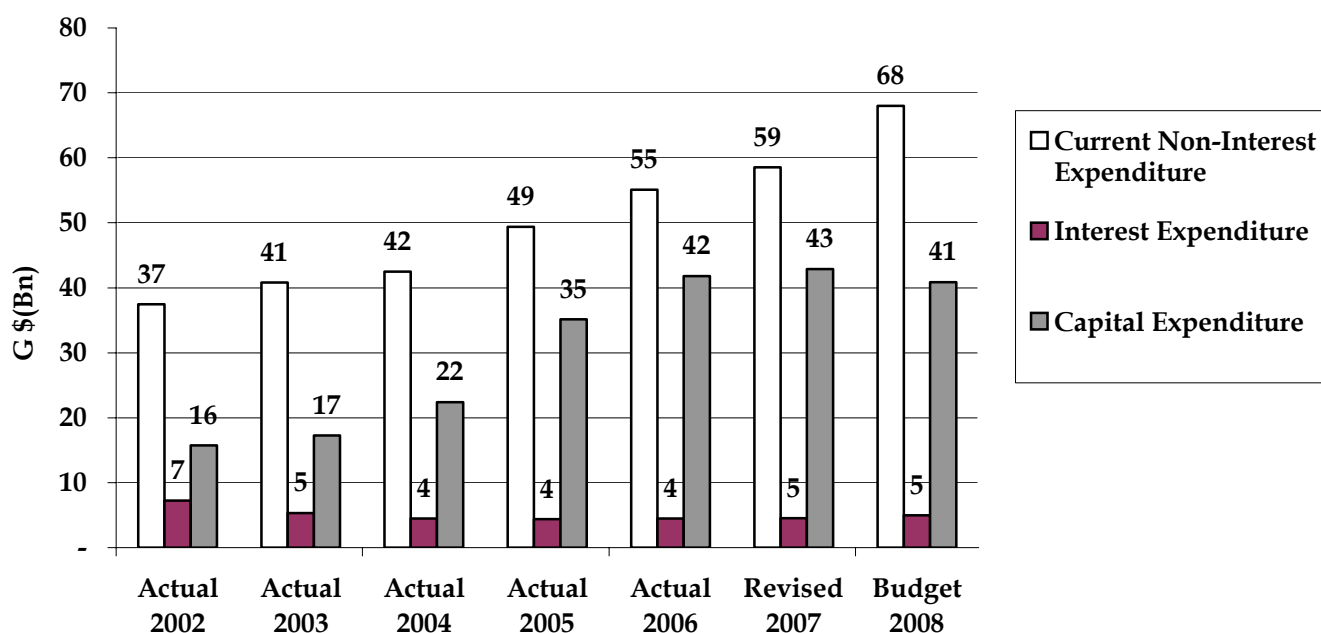
Of the GRA's collections, the Internal Revenue is expected to bring in G\$30.1Bn compared with G\$32.4Bn, a decrease of 7% or G\$2.3Bn. This however, is more than compensated by collections by the Customs and Trade Administration of G\$48.1Bn, an increase of G\$3.2Bn or 7.1% from 2007.



Total Current non-interest expenditure is projected to increase by G\$9.5Bn from G\$58.5Bn to G\$68.0Bn for 2008 as compared with revised 2007 figures. Personal emoluments of G\$24.5Bn represent an increase of 11.4% or G\$2.5Bn over the actual for 2007. Wage increases to public sector employees have averaged 9% over the year compared to the actual inflation of 14% in 2007.

Interest expenditure is projected to increase by 9% or G\$409.8Mn from G\$4.5Bn in 2007 to G\$4.9Bn in 2008, with domestic interest showing a decrease of \$213Mn while interest on external debt is projected to increase by \$623Mn.

Expenditure Trend from 2002 to 2008



Capital revenue and grants are projected to increase by G\$11.4Bn to G\$21.7Bn for 2008 from G\$10.3Bn in 2007. HIPC funds are projected at \$2.4Bn or \$0.4Bn less than 2007 of G\$2.8Bn, while Project and Programme funds will have a significant increase of \$11.8Bn.

Capital expenditure of G\$40.8Bn represents a decrease of G\$2.1Bn or 4.8% over 2007 latest estimates of G\$42.9Bn.

For a further analysis of current and capital expenditures, please refer to page 25 - 'Who Gets What'.

Debt repayment is projected at G\$5.4Bn (2007 - G\$1.8Bn) made up of domestic debt repayments are projected of G\$3.1Bn (2007- \$52Mn) while external debt repayment is projected at \$2.3Bn from G\$1.8Bn in 2007.

There is an overall balance of G\$15.8Bn which will be financed by a combination of domestic and external borrowings.

During 2008, domestic and external debt service as a percentage of current revenue is projected at 12.7% compared with the revised budget for 2007 of 7.9%.

Ram and McRae's Comments

- VAT collections are projected at \$25Bn, an 18% increase over 2007 while Excise Tax collections are projected at \$16.4Bn, an increase of 10.75%. Tax revenues of the country are increasing much faster than GDP. Given that a significant part of GDP may not have been subject to any tax

because of exemptions, an excessive burden is being borne by the workers and those who do pay taxes.

2. Additional spending in 2007 over the budgeted current expenditure of \$2.832Bn was more than compensated for by an unbudgeted increase in revenues of \$15.386Bn. As a result, the current balance was significantly better than budget, that is an improvement of G\$13.4Bn or 353%.
3. The unbudgeted surplus realised in 2007 is being used on increased expenditure instead of lowering the rate of tax to meet the revenue-neutrality commitment.
4. Capital expenditure is budgeted in 2008 for G\$40.85Mn, G\$2.04Bn less than 2007.
5. The overall balance on this account which was budgeted at \$23Bn in fact turned out at \$17Bn, an improvement of only \$6Bn despite revenue increase of \$15Bn
6. The internal debt repayment is scheduled to increase from a negligible \$52Mn to \$3.1Bn and the external debt from \$1.8Bn to \$2.3Bn. The only discussion on debt by the Minister in the Speech was that efforts to obtain further debt relief would continue and that the Government and Citizens Bank Inc. had reached an out of court settlement on the repayment of outstanding GOG Bonds.

There is no indication however that the settlement is the cause of the huge increase in the amount shown as internal debt repayment.

7. Once again we find the enormous disparity between the taxes paid by employed persons and those taxes paid by the self employed. It is surely time that this injustice is dealt with and some equity and fairness restored to the system.

We are tired of lamenting this fact and the need for the tax authorities to pursue with vigour those tax dodgers who must be known to them. That this situation is allowed to go on is an indictment of those whose duty it is to act.

8. The Financial Operations (Accounting Classification) table which was derived for the pre-VAT days has not been modified for VAT or Excise Taxes. These are included under Internal Revenue and Customs and Trade.

Financial Operations of Central Government (Accounting Classification)

Particulars	Budget	Revised	Budget	Actual	Actual	Actual
	2008	2007	2007	2006	2005	2004
CURRENT REVENUE	81,641.5	80,293.6	64,907.6	62,450.1	56,152.3	51,664.4
1.1 Guyana Revenue Authority	78,206.7	77,290.1	60,819.7	58,540.20	52,980.80	48,286.40
1.1.1 Internal Revenue	30,125.7	32,392.9	30,188.6	30,511.30	27,199.70	24,747.60
1.1.2 Customs & Trade	48,081.0	44,897.2	30,631.1	28,028.90	25,781.10	23,538.80
1.3 Other	3,434.8	3,003.5	4,087.9	3,909.9	3,171.5	3,378.0
CURRENT EXPENDITURE	67,991.8	58,527.7	55,698.1	55,108.5	49,390.9	42,462.2
2.1 Personal Emoluments	24,521.3	22,064.2	21,986.4	2,085.0	18,538.6	17,321.9
2.2 Goods and Charges	24,300.4	20,357.4	18,194.6	19,484.3	17,089.3	12,987.2
2.3 Transfer to the Private Sector	19,170.1	16,106.1	15,517.1	15,539.2	13,763.0	12,048.1
2.4 Transfer to the Public Sector	0.0	0.0	0.0	0.0	0.0	105.0
INTEREST EXPENDITURE	4,948.3	4,538.4	5,402.7	4,484.4	4,370.4	4,481.2
3.1 Domestic	2,892.1	3,105.4	3,615.5	2,618.4	2,934.4	2,949.6
3.2 External (Cash)	2,056.2	1,433.0	1,787.2	1,866.0	1,436.1	1,531.7
CURRENT BALANCE	8,701.4	17,227.5	3,806.8	2,857.2	2,390.9	4,721.0
CAPITAL REVENUE & GRANTS	21,733.20	10,314.80	12,026.20	15,141.50	9,360.10	7,788.50
5.1 Grants	21,733.20	10,314.80	12,026.20	15,141.40	9,341.10	7,769.50
5.1.1 HIPC	2,351.50	2,802.80	2,822.80	3,820.9	2,783.2	3,566.6
5.1.2 Project and Programme	19,381.70	7,512.00	9,203.40	11,320.5	6,557.9	4,202.8
5.2 Other (inc. Sale of Assets)	0.0	0.0	0.0	0.0	0.0	19.0
CAPITAL EXPENDITURE	40,853.80	42,892.50	36,697.50	41,806.4	35,143.2	22,416.7
DEBT REPAYMENT	5,411.20	1,806.30	2,114.20	3,452.60	2,171.90	3,553.40
7.1 Internal	3,078.10	52.30	51.90	1,143.4	34.6	34.2
7.2 External (Cash)	2,333.10	1,754.00	2,062.30	2,309.1	2,137.3	3,519.2
OVERALL BALANCE	(15,830.40)	(17,156.50)	(22,978.70)	(27,260.30)	(25,564.10)	(13,460.70)
TOTAL FINANCING	15,830.50	17,156.50	22,978.70	27,260.30	25,564.10	13,460.70
9.1 External	33,169.30	19,964.10	18,156.40	17,007.9	17,599.7	12,806.9
9.2 Domestic	(17,338.80)	(2,807.60)	4,822.30	10,252.4	7,964.4	653.8
Total Domestic and External						
Debt Service as a % of Current						
Revenues	12.7	7.9	11.6	12.7	11.7	15.6

Source: Estimates of the Public Sector 2008

Who Gets What In 2008

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, statutory expenditure and other charges) for the year is budgeted at G\$78.401Bn which is 17% more than revised 2007. The Ministries/ Departments with the most significant allocations are:

Ministries/Departments	2008		Revised 2007		% Inc./ (Dec)
	\$ (Mn)	%*	\$ (Mn)	%*	
Ministry of Finance	14,762	18.83	16,573	24.73	(10.93)
Ministry of Home Affairs	5,907	7.53	5,127	7.65	15.23
Ministry of Education	5,795	7.39	4,946	7.38	17.16
Guyana Defence Force	4,350	5.55	4,300	6.42	1.18
Ministry of Labour, Human Services & Social Security	4,250	5.42	2,788	4.16	52.41
Ministry of Health	3,360	4.29	2,891	4.31	16.20
Georgetown Public Hospital Corporation	2,692	3.43	2,468	3.68	9.08
Ministry of Foreign Affairs	2,395	3.06	2,126	3.17	12.65
Office of the President	1,662	2.12	1,505	2.25	10.41
* Percentage of total current expenditure					

The regions with the most significant allocations are:

Region	2008		Revised 2007		% Inc./ (Dec)
	\$ (Mn)	%*	\$ (Mn)	%*	
No.6 East Berbice/Corentyne	2,524	19.59	2,078	19.08	21.44
No.4 Demerara/Mahaica	2,038	15.81	1,776	16.30	14.76
No.3 Essequibo Islands/West Demerara	1,912	14.84	1,678	15.40	13.97
No.2 Pomeroon/Supenaam	1,336	10.36	1,130	10.37	18.20
No.10 Upper Demerara/Berbice	1,222	9.48	1,063	9.76	14.94
No.5 Mahaica/Berbice	1,108	8.60	933	8.56	18.77
* Percentage of total regional allocation					

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

Ministries/Departments	2008	2007	Difference	%
	\$ (Mn)	\$ (Mn)	\$ (Mn)	Inc/(Dec)
Guyana Elections Commission	2,704	909	1,795	197.56
Ministry of Labour, Human Services and Social Services.	4,250	2,788	1,461	52.41
Ministry of Education	5,795	4,946	849	17.16
Ministry of Health	3,360	2,891	468	16.20
Ministry of Home Affairs	5,907	5,127	781	15.23
Ministry of Foreign Affairs	2,395	2,126	269	12.65
Ministry of Finance	14,762	16,573	(1,811)	(10.93)

Capital Expenditure

Central Government's capital expenditure for the year is budgeted at G\$40.854Bn which is 5% below revised 2007 and 34% of total 2008 expenditure. The Ministries/Departments with the most significant capital expenditure allocations compared with the latest estimates are:

Ministries/Departments	2008		2007		% Inc./(Dec)
	\$ (Mn)	%*	\$ (Mn)	%*	
Office of the Prime Minister	5,053	12.37	3,003	7.00	68.27
Ministry of Finance	8,767	21.46	8,419	19.63	4.13
Ministry of Agriculture	2,110	5.16	3,090	7.20	(31.72)
Ministry of Public Works & Communications	8,049	19.70	9,562	22.29	(15.82)
Ministry of Education	2,280	5.58	2,799	6.53	(18.54)
Ministry of Housing and Water	4,696	11.49	5,160	12.03	(8.99)
Ministry of Health	2,765	6.77	2,486	5.80	11.22
Ministry of Home Affairs	1,334	3.27	1,048	2.44	27.29

* Percentage of total capital expenditure

Highlights from Ministers' Speech

The Minister in his speech highlighted the following allocations:

Area	2008 \$Mn
Modernising the traditional sectors - Skeldon Factory and Enmore Package Plant	9,600
Agriculture sector	4,201
Tourism Industry	300
Roads and bridges	6,200
Air and River Transport	108
Sea and river defence	2,200
Drainage and irrigation	3,700
Energy and power generation	4,261
Education Sector	19,000
Health Sector	12,100
Housing, Water and Sanitation Sector	1,500
Youth, Sport and Culture	375
Elderly and Social Protection	3,825
Security sector	13,700
Justice Sector	1,500

*Ram & McRae's Comments**Who gets nothing*

Critchlow Labour College with a student population of scores of young people is scheduled to get nothing this year following the withholding of the 2007 subvention. The sustainability of the College and the education of those students under the present arrangements must now be in doubt. By contrast the Skills for Life programme catering for the same needs gets \$60Mn and the non-existent Office of the Ombudsman is allocated \$12.6Mn.

Other issues

While the Government has announced a \$1Bn capital package for the Army including two helicopters, the Army's capital budget shows a total of \$699Mn only.

Expenditure on Education as a percentage of total expenditure is 16% and Health 10%.

The Government is committing further funds to GUYSUCO - \$7.6Bn for the soon-to-be completed Skeldon Factory and \$2Bn for a packaging plant to be constructed at the Enmore Factory.

The recurring question in relation to expenditure generally is whether the Government is getting value-for-money or is merely pursuing a policy of *"have money will spend"*. The obsession with billions spent concentrates on inputs rather than output and suggests that a new paradigm is required in public expenditure. The Audit Act provides for Value-for-Money auditing and perhaps the Public Accounts Committee may wish to force the issue of VFM in one or two key areas.

2008 Budget Measures

- **Personal Income Tax** – the Minister announced a 25% increase in personal allowances from \$28,000 to \$35,000 per month (from \$336,000 to \$420,000 per annum).
- **Old Age Pensions and Public Assistance** – from \$3,675 to \$6,000 per month and from \$2,470 to \$4,500 per month respectively.
- **Excise Tax** – Amendment of Act to allow the Minister to amend the Regulations to the Excise Tax Act; and exemption of alcohol purchased for use in the manufacture of medicinal, pharmaceutical and similar products from Excise Tax.
- **Value-added tax** – Amendment of Act to zero-rate an additional thirty two items including wheaten flour; dried chick peas (not including canned chick peas); casareep; diapers; mosquito nets; liquid butane gas; bicycles (excluding racing bicycles); vitamins, minerals and tonics for medical or health supplement use (but not including energy drinks, food supplements and similar products); machinery, equipment and components used in the generation of renewable energy in the agriculture sector using agricultural by-products; and paddy.
- **Cost of Company Registration and Increasing Share Capital** – Introduction of legislation to restructure the stamp duties and fees paid by companies when they incorporate or increase their share capital – objective of removing the variable element of the charges.

Ram & McRae's Comments

Two of the five Budget Measures announced by the Minister were a repetition of earlier pronouncements – the increases in the personal income tax threshold and old age pensions and public assistance.

Income Tax

The income tax rate remains at 33 $\frac{1}{3}$ % and the Minister notes that this will remove 36,000 persons from the requirement to pay income taxes and cost an estimated \$3Bn. Income tax paid by employed and self-employed persons is budgeted overall to decrease by 17.8% or \$2.5Bn.

Excise Tax

The proposed change in the legislation will give the Minister flexibility to modify the rates of Excise Tax similar to that provided in 2007 in respect of the Value-Added Tax. Readers of Budget Focus 2007 would have realised that the Minister made changes to certain rates under authority of section 6 (1 D) of the Financial Administration and Audit Act (FAAA).

Value-added Tax

Since the implementation of VAT on January 1, 2007, calls have been made for the zero-rating of wheaten flour and several other items. The Minister expansively estimates the tax foregone of \$1.2Bn although the significant users of wheaten flour (bread manufacturers) would have been able to recover such taxes as bread was zero-rated.

Cost of Company Registration and Increasing Share Capital

Since almost the entire cost is variable the Minister would no doubt be giving further thought to this proposal, notwithstanding the objective of reducing the cost of starting up or expanding a company.

There are of course regulatory costs which all companies incur. Small and medium-sized companies incur the same obligations as do larger companies under the Companies Act, 1991. One way of providing relief would be for the Minister to effectuate section 156 of the Companies Act which would allow smaller companies to dispense with the annual audit under section 173.

Commentary and Analysis

Introduction

This was the second Budget presented by Dr. Ashni Singh and was presented against the background of murderous attacks in Demerara and Essequibo, extensive rainfalls threatening floods and spiralling prices especially for food items. Dr. Singh overspent his first Budget by nearly 20% and would have lost some credibility over this and his earlier insistence that there was no room for extending the range of zero-rated items.

His presentation differed little from his predecessors in the endless listing of expenditure and the suggestion that money is the panacea, or a substitute for proper management. It would be enormously useful if he would address the expected outcomes as well rather than concentrate only on inputs and the billions the Government is spending, often with little results.

Value-added tax

Collections budgeted for Value-added and excise taxes for the year 2007 and 2008 and the revised amount for 2007 were as follows:

	Budget 2007 \$ '000	Revised 2007 \$ '000	Change	Budget 2008 \$ '000
Total	24,837,000	36,713,182	47.8%	41,415,451
Value-added tax	12,111,332	21,319,210	76.0%	25,051,369
Excise tax	12,725,668	15,384,019	20.9%	16,352,853
Miscellaneous	-	9,953	-	11,229

The Minister attributed the increase in collections to 'significant increases in imports realised during the year'.

VAT collected on imports increased from \$7.95Bn (budget 2007) to \$12.23Bn (revised 2007) or by 53.8% while excise tax collected on imports exceeded budget by 33.2%. Merchandise imports were projected to grow by 5.1% when the Minister presented the 2007 budget and this therefore would have been taken into account. The actual increase was 20.1% so at a basic level (i.e. not taking account of items exempted from VAT), we should have seen an additional increase in collections from imports of 15%. Even allowing for highest of the increases report - i.e. the 30.6% increase in the value of imported consumption goods - the collections far exceed what was budgeted.

Dr. Singh after tabling his half year report on November 29, 2007, had insisted that the tax was 'revenue neutral' but doing no more than the President had done at GUYEXPO 2006 when he said "We said from the very beginning that VAT should be revenue neutral, we're not looking to increase the collection of taxes, increase [taxes or] the tax base with the introduction of this tax."

Taxation is a constitutional means of taking people's property under laws for the peace, order and good government. Now that the VAT numbers are in, it would be interesting to hear the views of the International Financial Institutions which had been prominent cheerleaders of the Government in relation to, and advocates for the Value-Added Tax.

At some point the law and the tax can become excessively burdensome. If this point has not been reached, we are certainly close.

Crime

Lusignan and Bartica in the last month have dramatically placed crime on the front burner, causing fear in communities across the country, stretching the enforcement agencies and confusing the policy-makers.

Ever since the jail break in 2002, respondents to this Firm's Business Outlook have identified crime among their top concerns. In the most recent survey 65% of the respondents reported increased expenditure on security in 2007 ranging from 21% to 50%. With Lusignan, Bartica and Buxton weighing heavily on the national psyche, it is understandable that crime is thought of largely in terms of robberies, violence and of course murders.

But crime has a wider dimension and implications and includes white collar, economic criminals engaged in fuel and gold and diamond smuggling, tax evasion, narco-trafficking and the related money laundering and illegal mining and logging. Indeed it is worth remembering that the Disciplined Forces Commission under Justice Chang drew attention to 'the advent of trans-national dangers to national security and public safety posed by narco-trafficking, weapons smuggling, money laundering, illegal migration'.

One form of violence begets another. The various dimensions of crime and violence – common street crime, homicides, domestic violence and political violence are not unrelated. Similarly smuggling, cheating the state, corruption, money-laundering and tax evasion are necessary links in the same chain. Worse, their leaders often use the street criminals as henchmen and enforcers.

Even if we believe that we can insulate ourselves from the more obvious type of crime by locking ourselves in and hopefully the criminals out, crime has wider, costly and less visible consequences for the citizenry. Crime and violence have a negative impact on the overall investment climate; contribute to a reduction in investment in physical infrastructure; erode and scare away human capital; destroy social capital and vitiate government capacity.

The solution or amelioration of the crime problem lies not simply in dealing with the end product of crime – that is too late and too costly. While criminal action must be appropriately punished and while it is necessary to protect the citizenry from the threats posed by criminals equally vigorous, attention must also focus on the causes of crime such as unemployment, poor governance, scarce resources and lack of training.

If Guyana is to progress, we have to address the causes of the crime including poverty and greed, we have to balance the rights of the accused with those of the victims, we have to devote the necessary resources to prevent, detect and prosecute crime with the same vigour with which we pursue economic growth.

In terms of crime fighting and prevention we need to see the word intelligence as meaning not only information to help in preventing crime but in the cerebral context of intellect, ability and vision that is a far less costly resource than all the vehicles, guns, vessels and aircraft we need as well.

Expenditure Management

	2004	2005	2006	2007
	\$ '000	\$ '000	\$ '000	\$ '000
Budgeted	75,611,015	86,431,609	102,922,239	99,962,490
Supplementary	8,994,400	14,793,324	13,101,867	18,077,786
% of budget	11.9%	17.1%	12.7%	18.1%

Source: Annual estimates and Legislation for Supplementary amounts

In respect of 2007, two Supplementary Appropriations amounting to \$18.1Bn or 18% of the original budget were approved by the National Assembly within the space of two months. Such Supplementary Appropriation requests are seldom the subject of any meaningful debate or real accounting since the legislation which is published shows totals only by Ministries and distinguishing only between Current and Capital.

Assured of unthinking loyalty of their Majority in Parliament, the President and Government demonstrate an appetite and capacity for spending that ignores the principles of prudent financial management. Perhaps there is no better example of the vast expenditure of the Providence Stadium without any consideration of projected revenues and perhaps more significantly the annual operating costs.

Another egregious case of the cavalier expenditure is the manner in which high-salaried persons are retained on the Government payroll even after they have been removed from their Ministerial positions, often for cause. At the last count there were at least ten, contributing little but taking millions in return.

National Insurance Scheme

The number of active employed persons contributing to the National Insurance Scheme at December 31, 2007 was almost static over the year, increasing by less than 1%. The NIS is probably the most credible source of employment data in Guyana since NIS contributions are payable in respect of all employed persons between 16 - 60 years while the tax remittance are only made in respect of persons whose income exceed the personal allowance. Where the NIS data are not a useful measure is in the case of self-employed population who for all practical purposes are voluntary contributors. The Minister did not deal either with employment or unemployment which is probably because of the failure to carry out the Labour Survey promised but never completed.

Another reference to employment is usually data supplied by Go-Invest but in a major departure from the Budget Speech of earlier years, the Minister did not refer to the number of projects facilitated by Go-Invest during 2007, either on amounts invested or jobs created.

Unusually the Minister did not refer to the very important National Insurance Scheme, the last Actuarial Review of which had raised some serious concerns about its viability unless revenues had increased fairly significantly. In 2007 the Minister had prematurely reported on the findings of the Reform Committee whose report has only just been made available.

The Committee did the work in 2007 and its report contains the following principal recommendations:

- Increase the age for the receipt of Old Age Pension to 65 years and Public Servants who retire at 55 years be allowed reduced pensions which would be eliminated in about 10 years.
- The Scheme should be allowed to invest overseas.
- Aggressively insure the approximately half of the country's workforce who are self-employed.
- Increase the number of contributions required to qualify for a pension.
- Absorb the Dependents Pension Fund into the NIS by a formula satisfactory to all stakeholders.
- Change the definition of "Relevant Wage" so that the amount of the pension is reduced.
- Introduce/increase the following benefits:
 1. Benefits for age - related ailments
 2. Funeral benefit to be increased
 3. Constant Attendance Benefit to be increased
 4. Dental Care Grant to be increased
 5. Maternity Benefit Grant to be increased
 6. Disablement Benefit to be increased

The recommendations do not seem to address all the concerns raised in the last actuarial study done of the Scheme at December 31, 2001. Some of the proposals, particularly those that seek effectively to reduce benefits, are expected to be controversial and may very well not find favour with the Government. There is an actuarial study that should have begun last year and the Government may consider referring the apparently limited recommendations to the Actuary. That will necessarily delay action required to fix the Scheme to avert the real danger of the Scheme running into financial difficulties.

Poverty

Over the years, the Government has devoted considerable resources to a Poverty Reduction Strategy Programme (PRSP) which began in 2000 (Interim PRSP). With some prodding from the donor community and warnings from independent commentators, the Government set up a Secretariat and established goals that were far too ambitious given the capacity constraints of inadequate human resources and a weak legal and institutional framework.

On July 3, 2005 *Business Page* commenting on the Poverty Reduction Strategy Progress Report, having identified a number of weaknesses in the Report concluded that it was time that the PRSP is scrapped and replaced by a Development Strategy that changed the economic model.

Despite the end of the IMF supervised Economic Recovery Programme in August 2006, the Government seems determined to pursue policies in which income and wealth discrepancies among Guyanese appear to have become more pronounced.

But as a new round of consultations on the PRSP began early this year it was no less a person than the Prime Minister himself who has been around as long as the PRSP who conceded that over the past five years there has been no significant reduction in moderate and extreme poverty levels countrywide.

The Prime Minister is reported in *Stabroek News* of January 18, 2008, to have said that the 1999 report showed that the national moderate poverty level was 36% and extreme poverty levels stood at 19%. He further stated that at the end of 2006 when another assessment was done, the implementation of the programmes set out in the paper had only showed marginal reduction in poverty levels and that the moderate poverty level only declined by 3% and to 33% and extreme poverty, by 1% to 18%.

What the Prime Minister did not do however was draw any connection between poverty and crime, in what is called the poverty trap.

Smuggling

Smuggling is not only pervasive, it is corrosive and is dangerous. It is big business and is therefore protected at any cost. In the days of severe import restrictions including flour, potatoes, peas, etc. enterprising (mostly) women, and some boat operators on the Corentyne and the North West Passage to Venezuela and overland to Brazil smuggled mainly food items.

Now fuel is perhaps the single largest smuggled items with the proceeds laundered in various forms. More recently beer has been competing with fuel as the product that deprives the country of major revenues. In one case before the court the Guyana Revenue Authority is alleging losses of approximately \$350Mn and in another \$500Mn. If the penalties were applied, fines could amount to \$2.5Bn. But in the most warped of situations, one of the principals in one of these companies was up to recently a member of the Customs Tribunal.

Another person charged with fuel smuggling over two years ago is the beneficiary of significant Government business even as he hobnobs with friends in the corridors of power and as his case moves ponderously through the courts with near certainty of acquittal.

Another person implicated in a tax matter with the GRA retained not one but two attorneys to make representation on his behalf to the effect that since he was misclassifying items over a long period, without being found out by the GRA he had a legitimate expectation that he would continue to be treated like that. It must surely be only in Guyana that an attorney with political ambition would be bold enough to put such a professional view in writing.

And having crossed the hurdle of the taxpayer, his political connection and professional advisors, the GRA is then faced with a court that is prepared to block the tax collecting agency from doing its work. That must be something of a first in jurisprudence.

Economic Partnership Agreement

The Economic Partnership Agreement (EPA) between the EU and the ACP states signed on December 16, 2007, required under the Cotonou Agreement to replace the trade component of Lomé IV, has drawn strong comments across the regional, political and professional divide. President Jagdeo of Guyana has argued that the region negotiated badly and lost in the negotiations. He was

supported in this view by distinguished Professor Clive Thomas who described the EPA as 'massive manipulation', and by Dr. Norman Girvan of Jamaica.

Prime Minister Bruce Golding of Jamaica took the opposite while Dr. Richard Bernal of the Caribbean Regional Negotiative Machinery in a detailed letter to the Stabroek News defended the EPA as a balanced agreement if not a perfect one, arguing that the successful conclusion of the negotiation required compromises on both sides and that the Agreement contained safeguards and innovative features that could benefit the Region. Caught in the centre, the Council of Trade and Development (COTED) has decided on an independent review of the EPA although the benefit of such an exercise at this stage is uncertain.

It seems that the EPA is generally consistent with WTO Rules to which Guyana and others have signed on. Those rules require the liberalisation of substantially all trade over a defined period.

Prime Minister Golding argued that "there are persons who believe that the preferences that we have enjoyed - this business where Europe pays you twice as much for your sugar than they can buy it elsewhere - that those are things that must remain in perpetuity," on January 29, at an investment and capital markets conference hosted by the Jamaica Stock Exchange (JSE).

"It is a kind of mendicancy that we need to purge ourselves of," Golding declared.

Flood threat

The threat of global warming and rising sea levels increased the probability of frequent and costly flooding. The dangers are greatest in areas and regions when a significant proportion of our population lives, the backbone of the economy is located, where the capital is and where all major private and government business takes place.

In the aftermath of the 2005 Flood, major works began with the objective of strengthening the Conservancy and to clear drains and waterways particularly in Regions 4 and 5. That ought to have been the beginning and of short-term effect only, while the country needs is investment in long term solutions as well.

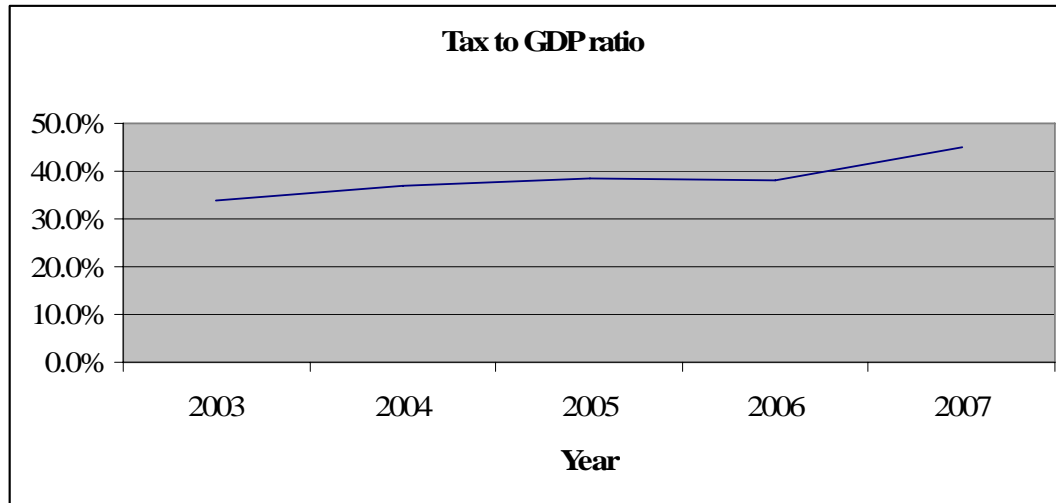
Twenty years ago Guyanese engineer Robert Comacho prepared a report for the Commonwealth Secretariat on the implications of sea level rise in Guyana. He recommended that 'a programme of work which included careful monitoring of sea level, detailed hydrographic and hydrological surveys, and a full feasibility study for a long term programme; a short term construction programme for enhancing flood protection and drainage, and among other things strengthening of embankments'.

Commendable work continues to be done in drainage and irrigation and for the first time in decades even the canals in Georgetown are being cleared. One engineer pointed out however that all the cleaning will come to naught unless the outfalls, through which waters are drained into the ocean are cleaned regularly and systematically.

We can avoid neither our geography nor topography - below sea-level, the Oronoco Delta, etc. Rather than hope and pray however, we need to mitigate the risks and be completely prepared.

Conclusion

Even before the events of January and February in Lusignan and Bartica, the business community had expressed reduced optimism about the economy. VAT has had a devastating effect, hiking the tax to GDP ratio from 38% in 2006 to 47% in 2007.



The revelation of those revenue numbers will shock if not outrage the nation particularly in the light of the Minister's reluctance to have been more open. Citizens will rightly wonder whether the management of the economy is any better than the management of crime. It is true that the managers of the economy are helped by the substantial levels of remittances, the underground economy of all colours and debt write-offs. Perhaps these issues help to mask the performance of the formal and legal economy. Whatever those uncertainties may be, Guyanese, now one of the most taxed nations in the developing world, need to pay greater attention to how their money is taken from them and how it is managed.

Appendix A: Acts Passed in 2007

Legislation	Title	Objective	Assented Date
Act No. 1 of 2007	Local Authorities (Elections) (Amendment) Act 2007	An Act to amend the Local Authorities (Elections) Act to provide for the postponement of elections of councillors of local democratic organs.	15 Jan 2007
Act No. 2 of 2007	Old Metal Dealers (Amendment) Act 2007	An Act to amend the Old Metal Dealers Act (Cap. 91:08).	31 Jan 2007
Act No. 3 of 2007	Rice Factories (Amendment) Act 2007	An Act to amend the Rice Factories Act 1998 and repeal the Rice (Regulation of Manufacturing and Marketing) Act 1985.	31 Jan 2007
Act No. 4 of 2007	Supplementary Appropriation (No. 3 for 2006) Act 2007	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, 2006, estimates whereof have been approved by the National Assembly, and for the appropriation of those sums for the specified purpose, in conformity with the Constitution.	1 Feb 2007
Act No. 5 of 2007	Gambling Prevention (Amendment) Act 2007	An Act to amend the Gambling Prevention Act.	31 Jan 2007
Act No. 6 of 2007	Value-Added Tax (Amendment) Act 2007	An Act to amend the Value-Added Tax Act 2005.	25 Jan 2007
Act No. 7 of 2007	Immigration (Amendment) Act 2007	An Act to amend the Immigration Act.	31 Jan 2007
Act No. 8 of 2007	Caribbean Community Special Visa Agreement Act 2007	An Act to provide for the implementation in Guyana of the Caribbean Community Special Visa Agreement and for matters connected therewith.	31 Jan 2007
Act No. 9 of 2007	Pre-Clearance (ICQ Cricket World Cup West Indies 2007) Act 2007	An Act to make for a Specified State to pre-clear passengers and goods in Guyana for entry into that Specified State for the purposes of immigration, customs, public health, food inspection and plant and animal health.	31 Jan 2007
Act No.10 of 2007	Customs (Amendment) Act 2007	An Act to amend the Customs Act.	31 Jan 2007

Legislation	Title	Objective	Assented Date
Act No.11 of 2007	Appropriation Act 2007	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, 2007, estimates whereof have been approved by the National Assembly, and for the appropriation of those sums for the specified purpose, in conformity with the Constitution.	28 Feb 2007
Act No.12 of 2007	Income Tax (Amendment) Act 2007	An Act to amend the Income Tax Act.	28 Feb 2007
Act No.13 of 2007	Pesticides and Toxic Chemicals Control (Amendment) Act 2007	An Act to amend the Pesticides and Toxic Chemicals Control Act 2000.	23 Mar 2007
Act No.14 of 2007	Security Assistance (CARICOM Member States) Act 2007	An Act to provide for the implementation of the Treaty on Security Assistance among CARICOM Member States and for matters connected therewith.	23 Mar 2007
Act No.15 of 2007	Visiting Forces Act 2007	An Act to make provision for armed forces of certain states visiting Guyana and for related purposes.	22 Mar 2007
Act No.16 of 2007	Status of Visiting Police Officers Act 2007	An Act to provide for the presence, activities, privileges and immunities of members of foreign police forces and civilian personnel during the period of CWC 2007 and for matters connected therewith.	23 Mar 2007
Act No.17 of 2007	Firearms (Amendment) Act 2007	An Act to amend the Firearms Act.	28 May 2007
Act No.18 of 2007	Juvenile Offenders (Amendment) Act 2007	An Act to amend the Juvenile Offenders Act.	31 May 2007
Act No.19 of 2007	Summary Jurisdiction (Offences) (Amendment) Act 2007	An Act to amend the Summary Jurisdiction (Offences) Act.	31 May 2007
Act No.20 of 2007	Guyana Forestry Commission Act 2007	An Act to repeal and replace the Guyana Forestry Commission Act 1979, re-establish the Guyana Forestry Commission, and provide for incidental matters.	Not assented to during the year
Act No.21 of 2007	High Court (Amendment) Act	An Act to amend the High Court Act.	14 Aug 2007
Act No.22 of 2007	Constitution (Amendment) Act	An Act to alter the Constitution in accordance with articles 66 and 164.	28 Aug 2007
Act No.23 of 2007	Deeds Registry Authority (Amendment) Act 2007	An Act to amend the Deeds Registry Authority Act.	16 Nov 2007

Legislation	Title	Objective	Assented Date
Act No.24 of 2007	Supplementary Appropriation (No. 1 for 2007) Act 2007	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, 2007, estimates whereof have been approved by the National Assembly, and for the appropriation of those sums for the specified purpose, in conformity with the Constitution.	21 Nov 2007
Act No.25 of 2007	Protocols to the Agreement establishing the Caribbean Court of Justice Act 2007	An Act to give effect to certain Protocols to the Agreement establishing the Caribbean Court of Justice and for matters connected therewith.	31 Dec 2007
Act No.26 of 2007	Health Facilities Licensing Act 2007	An Act to provide for the licensing of Health Facilities and for related matters.	31 Dec 2007
Act No.27 of 2007	Local Authorities (Elections) (Amendment) Act 2007	An Act to amend the Local Authorities (Elections) Act to provide for the postponement of elections of councillors of local democratic organs.	31 Dec 2007
Act No.28 of 2007	Immigration (Amendment) (No. 2) Act 2007	An Act to amend the Immigration Act.	31 Dec 2007
Act No.29 of 2007	Pounds and Certain other enactments (Amendment) Act 2007	An Act to amend the Pounds Act, the Municipal and District Councils Act, the Local Government Act and the Roads Act.	31 Dec 2007
Act No.30 of 2007	Valuation of Property for Rating Purposes (Validation) Act 2007	An Act to declare and validate the valuation of property in the City of Georgetown for rating purposes.	31 Dec 2007
Act No.31 of 2007	National Registration (Amendment) Act 2007	An Act to amend the National Registration Act.	31 Dec 2007

The following Bills were sent to Special Select Committees:

Legislation	Title	Objective	Assented D
Bill No. 18 of 2007	Anti-Money Laundering, Countering the Financing of Terrorism Bill 2007	An Act to provide for the establishment and management of a Financial Intelligence Unit; to provide for unlawful proceeds of all serious offences to be identified, traced, frozen, seized and eventually forfeited; to provide for comprehensive powers for the prosecution of money laundering, terrorist financing and other financial crimes; and the forfeiture of the proceeds of crime and terrorist property; to require reporting entities to take preventative measures to help combat money laundering and terrorist financing; to provide for civil forfeiture of assets and for matters connected therewith.	Not applica
Bill No. 21 of 2007	Forest Bill 2007	An Act to consolidate and amend the law relating to forests.	Not applica

Appendix B: Selected Socio - Economic Indicators

ITEM	2007	2006 (revised)	2006	2005	2004	2003
1 National Accounts Aggregates						
1.1 Growth Rate of Real GDP	5.4	5.1	4.7	(1.9)	1.6	(0.6)
1.2 GDP at factor cost (US\$M)	847.9	754.9	741.2	683.6	652.7	631.0
1.3 GNP at factor cost (US\$M)	812.1	698.1	698.1	663.5	621.1	588.4
1.4 Per Capita GDP (US\$)	1,111.0	992.4	974.9	902.6	868.6	840.2
1.5 Per Capita GNP (US\$)	1064.1	917.7	918.2	875.6	826.5	783.5
1.6 Gross National Disposable Income (US\$M)	1268.6	1,019.9	1,032.0	931.6	795.2	763.7
1.7 Private Consumption as % of Gross Domestic Expenditure	54.7	48.5	47.5	55.3	49.2	44.8
1.8 Public Consumption as % of Gross Domestic Expenditure	17.2	18.0	18.2	20.3	21.8	23.7
2 External Trade and Finance (US\$M)						
2.1 Bal of Payments Current Account Balance	(231.9)	(250.4)	(181.4)	(167.1)	(70.0)	(60.6)
2.2 Imports of Goods and Non- Factor Services (G&NFS)	(1,335.0)	(1,130.4)	(1,103.2)	(984.5)	(854.5)	(743.8)
2.3 Exports of Goods and Non- Factor Services (G&NFS)	853.8	732.7	748.8	698.9	749.9	669.6
2.4 Resource balance	(481.2)	(397.7)	(354.4)	(285.7)	(104.6)	(74.2)
2.5 Imports of G&NFS/GDP(%)	157.4	149.7	148.8	144.0	130.9	117.9
2.7 Exports of G&NFS /GDP (%)	100.7	(97.1)	101.0	103.2	114.9	106.1
2.8 Net International Reserves of Bank of Guyana	254.0	221.5	222.3	160.5	136.6	176.1
2.9 External Public Debt Outstanding	718.1	1,043.2	920.6	1,094.0	1,071.2	1,084.6
3 Prices, Wages and Output						
3.1 Rate of Inflation (% changed in Urban CPI)	14.0***	4.2	4.2	8.3	5.5	4.9
3.2 Public Sector Monthly Minimum Wage in G\$ (e.o.p)	28,416.7	26,070.3	26,069.0	24,828.3	23,204.0	22,099.0
3.3 %Growth Rate	9.0	5.0	5.0	7.0	5.0	5.0
3.4 Electricity Generation (in M.W.H)	599.2	534.6	534.6	528.4	514.9	488.9
4 Population & Vital Statistics						
4.1 Mid- Year Population ('000)	763.2	760.7	760.2	757.6	751.4	751.0
4.2 Population Growth Rate (e.o.p)	0.3	0.3	0.3	0.3	0.1	0.8
4.3 Net Migration ('000)	(10.8)	(9.2)	NA	NA	NA	NA
4.4 Visitor Arrivals ('000)	127.4	113.5	113.5	116.6	121.9	100.9
4.5 Crude Birth Rate (per 1,000 persons)	NA	NA	NA	NA	23.1	25.8
4.6 Crude Death Rate (per 1,000 persons)	NA	NA	NA	NA	NA	7.3
4.7 Crude Marriage Rate (per 1,000 persons)	5.3	6.1	6.1	4.8	NA	NA
4.8 Infant Mortality Rate (per 1,000 persons)	NA	18.4	18.4	22.8	24.7	21.6
4.9 Under 5 Mortality Rate (per 1,000 live births)	NA	NA	NA	NA	NA	NA
5 Health and Education						
5.1 Public Expenditure on:						
5.1.1 Education as % of National Budget	13.7	13.0	13.0	13.7	15.5	14.4
5.1.2 Health as % of National Budget	9.3	9.0	9.0	7.5	9.5	8.9
5.2 Number of Physicians Per Ten Thousand Population	5.1	4.9	4.9	4.3	4.2	4.1
5.3 Number of Nurses per Ten Thousand Population	9.9	10.8	13.1	34.0	34.0	14.0
5.4 Number of Hospitals Beds per Ten Thousand Population	24.9	24.1	24.8	43.5	43.6	43.6
5.5 Low birth-weight babies (<2500g.) as a % of live births	NA	NA	NA	11.8	11.6	11.9
5.6 Severely Malnourished	0.3	0.4	NA	0.6	1.0	0.6
5.7 Moderately Malnourished	5.7	5.9	NA	7.0	9.3	8.8
5.8 Overweight	2.9	3.9	NA	4.7	5.2	4.7
6 Crime						
6.1 Reported Serious Crimes	NA	2,376.0	2,376.0	2,808.0	3,450.0	2,941.0
6.2 of which: Homicides	NA	153.0	153.0	125.0	131.0	206.0
7 Exchange Rates						
7.1 G\$ to US\$	203.5	201.0**	203.7	200.9	200.4	194.3
8 Interest Rates						
8.1 Prime Lending Rate	14.7	14.5	14.5*	NA	14.5	14.9
8.2 Small Savings Deposit	3.2	3.2**	3.4	NA	3.4	3.5
8.3 Three Months Time Deposits	2.5	2.5**	NA	NA	2.6	2.8
Treasury Bill Rate	3.9	4.2	4.2	NA	3.8	3.4
Public Domestic Debt (G\$M)	70,999.1****	74,307.2**	72,817.8*	67,754.3	65,849.8	62,662.2

NA Not Available

*as at June 2006

** as at December 2006

*** is the Rate of Inflation in Georgetown

**** as at September 2007