Focus on

Guyana's National Budget

2009

Ram & McRae
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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 2009** is the nineteenth 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 tax and business related legislation (and advice thereon) including:

- Consolidated Tax Laws of Guyana *(comprising Income Tax, Corporation Tax, Property Tax, Capital Gains Tax, Tax, Income Tax (in Aid of Industry), Revenue Authority, Financial Administration and Audit, and Investment Acts, and the double taxation treaties signed by Guyana)*.
- Value Added Tax and Excise Tax Acts, 2005
- Companies Act, 1991
- Securities Industry Act, 1998
- Insurance Act, 1998
- Bank of Guyana Act, 1998
- Financial Institutions Act, 1995
- Money Laundering (Prevention) Act, 2000
- Dealers in Foreign Currency (Licencing) Act, 1989 and Foreign Exchange (Miscellaneous Provisions) Act, 1996
- NIS Act, Cap. 36:01
- Mining Act, 1989
- Petroleum (Production) Act, Cap 65:05
- Petroleum (Exploration & Production) Act, 1986
- Termination of Employment & Severance Pay Act, 1997
- Trade Union Recognition Act, 1997

Each publication includes relevant subsidiary legislation.

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

- Handbook on the Companies Act, 1991
- The Annual Guyana Business Outlook Survey 1995-2009 (except 1998)
- Guyana Investors Information Package
- Focus on Guyana's National Budget 1991 – 2008
- Business Page (weekly column by Managing Partner in the *Sunday Stabroek* and available on *www.chrisram.net*)
- Value Added Tax and Excise Tax Handbook which includes annotated copies of the legislation.
- Annual Tax Planner
- Monthly Tax Supplement

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 L. 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 where he was integrally involved in Budget preparation and Chairman of the National Insurance Board.

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 in the firm to three. He has over twelve years experience in audit and accounting; and ensures that the firm has a broad array of skills and expertise to meet the challenges faced by our varied clientele.

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, Dennis Mayers, Dione Singh, Cleaveland Gilkes, Jermaine McPherson, Alexis Barry and Donna Dublin.

Christopher Ram, Robert McRae and Rakesh Latchana

February 10, 2009

Pre-Budget Comments

Once again the Minister of Finance chose not to hold any pre-budget consultations. This drew negative comments from the PPP-affiliated Guyana Agricultural and Industrial Workers Union (GAWU) as well as the Trade Union Congress, perhaps the first occasion in years that the two entities have agreed on anything. GAWU president Komal Chand said his union did not push for consultations because in the past the consultations 'were not taken seriously.'

The TUC noting that it was not resiling from its call for the repeal of the VAT introduced in 2007 asked for the Income Tax threshold to be increased from $35,000 per month to $75,000 per month, a reduction in the rate of VAT to 6% and an increase in the Government Old Age Pension from $6,300 monthly to $14,000. Ram & McRae believes that a repeal of VAT would involve insurmountable problems of administration.

Georgetown Chamber of Commerce and Industry (GCCI) President Mr. Chandradat Chintamani told the press that arising out of consultations with its members the Chamber had several suggestions and ideas to put to the Finance Minister. According to Mr. Chintamani the Chamber was unable to do so as the Chamber and the rest of the private sector was overlooked and slighted.

Mr. Ramesh Dookhoo President of the Guyana Manufacturers Association said his Association had hoped that the Minister would take account of some of the challenges faced by their sector and resist any recommendation for a unification of tax rates paid by companies. In particular Mr. Dookhoo referred to some of the difficulties which the sector experiences as its members seek to penetrate regional markets.

Neither the Chamber nor the GMA made any submissions to the Minister.

The Kaieteur News editorialised on the Budget on the day before its presentation and predicted the usual 'bigger than last year' line. Specifically, the Kaieteur News stated that if the country is to make a significant dent in poverty, the economy has to grow by 10% per annum for the next ten years, compared with an average growth rate of 1% over the past ten years. Clearly then the economy had much catching up to do to provide hope for the majority of Guyanese that Guyana does offer them a future.

The Government Information Agency (GINA) in a release dated February 7, 2009 reported that the Minister of Finance had expressed surprise and disappointment at recent statements and proposal made by the People's National Congress–Reform (PNC/R) regarding the economy. The PNC-R's Mrs. Volda Lawrence had called on the Government to give consideration to the use of funds from the Value–Added Tax as a stimulus package.

Minister Singh suggested that Ms. Lawrence, who chairs the Public Accounts Committee, is unaware that the revenues of the Government are already currently used to finance critical social programmes and that if Government revenues were to be diverted or foregone at this time, a number of programmes that are currently benefiting the people of Guyana would have to be terminated.

Dr. Singh, a former Budget Director would be aware that not all expenditure in fact benefit the people and of the possibilities if the Government would be creative and cut the pork out the budget, take real steps to curb corruption, deal with tax evasion, reduce discretionary expenditure, cut the number of Ministries and reduce the oversized and inefficient Office of the President. Were this to happen, the Minister would be even more surprised at the possibilities for reducing the rate of direct and other taxes and adjusting VAT to the rate it should have been if there had not been an error in the computation and if the Government had stuck to its commitment of making VAT/Excise Tax revenue-neutral.

Introduction

Like he did last year when he chose for his budget theme George Bush's Staying the Course, this time his theme is Working Together – Reinforcing Resilience.

The Minister reported that real GDP in 2008 grew by 3.1%. That this could have happened with sugar and forestry both declining over 2007 by 15%, diamond by 37%, bauxite by 7% and manufacturing by 2% is itself surprising. In 2005 when sugar declined by 24%, real GDP fell by 1.95%. It is worth noting as well that GDP had been expected to grow by 4.9% with a projected growth in sugar by 8.8%.

In the face of the worst global economic environment for decades Minister of Finance Dr. Ashni Singh's presentation seemed designed to give the impression that everything is alright, that there is no need for the Government to consider any specific policy or measure to cope with any possible impact on Guyana. This is despite his acknowledgement of what he described as liquidity difficulties facing Clico Trinidad and which had reminded the region of the absence of immunity from financial crisis. The description of the crisis as purely a liquidity one is clearly an over-simplification since from the beginning it had been acknowledged in Trinidad that there were regulatory issues, a preponderance of related-party transactions as well as interest obligations which were beyond the capacity of the group. In any case the Minister must know that like bauxite, foreign gold companies have had to cut back their investments here, oil companies were conserving on their exploration budget and remittances are already being affected. To any realist therefore it would be unreal to believe that Guyana's economy would not be affected by those external conditions.

As expected the Minister once again boasts – Olympics style – that budget 2009 was the biggest ever, even adjusted for inflation. What he did not say was that the Budget will represent, if supplementary appropriations follow the usual pattern, the largest overall deficit ever recorded on Central Government finances in this country. That is a serious indictment of Dr. Singh's management of the economy. It is unsustainable to continue with one's head in the sand. We cannot keep begging our way out of deficit financing.

The Minister reports real GDP growth of 3.1% and inflation of 6.4%. Distinguished Professor Clive Thomas in his weekly column had earlier expressed concerns about the quality and accuracy of statistics being put out by the Bureau of Statistics about the economy. Dr. Thomas admitted that he could not prove that the economic data are being massaged to support predictions of the authorities as some critics argue. Yet he expressed skepticism about the inflation rate declared of 5.8 per cent for the half year January-June 2008 and the "dubious" growth of real GDP of 3.8 per cent as indicating that the Guyana economy was insulated from the global shocks during the first half of 2008!

There are two instances to which Ram & McRae would like to draw particular attention. Appendix IV to the Speech indicates that inflation for the year was 6.4% and that the inflation rate for "food items" was 11.6%, half of the rate in 2007. By comparison the food inflation in Trinidad and Tobago for 2008 was 29.8%, while back home, the food basket independently prepared for Ram & McRae reflects a price inflation of 39.46%. We are prepared to have our basket checked against that of the statistical Bureau.

In his two hours and forty minutes long Speech the Minister did not once mention the domestic debt and again ignored employment. The domestic debt has been climbing inexorably since 1992 when it was $18Bn while at September 30, 2008 it was $75Bn. External debt on the other hand has increased dramatically by 18% over the past twelve months and is now US$833 million. If we take both the domestic and foreign debt the total debt is US$1.2 billion, all incurred by this administration since 1992. Unless some brake is placed on the borrowing spree we can soon find ourselves in the position we were in 1992 when total debt was close to US$2 billion.

For 2009 the Minister projects that the economy will grow by 4.7 %, compared with the rest of the world which is expected to grow by 0.5%, meaning that Guyana will out perform the rest of the world by a factor of 8! In fact even China expects to grow by 6% down from 9.9% in 2008.

During 2008 the Government amended the Income Tax (In Aid of Industry) Act effecting some sweeping extension to the tax holiday provisions under the Act. By law entities in receipt of tax holidays are recipients to a range of other tax concessions. A recent notice by the GRA in the press disclosed that total tax concessions in 2007 amounted to $80Bn., a figure that does not include exemptions from Corporation, Property and Capital Gains taxes which could easily amount to a further several billion dollars. Even excluding the value of these exemptions, the amount waived is more that the tax collected for the entire year! It is hard to believe that anyone who understands how a tax system and structure affect the economy and the equity of the tax system would not only allow but further worsen this inequity by granting excessively generous concessions.

We also wish to draw attention to the vast sums being spent by the Office of the President with no particulars for most of the very expensive positions there. The posts in that Office listed on pages 499 – 501 of the Estimates include maids, cooks and gardeners but none of the highly paid consultants, advisors and former Ministers who seem to enjoy security of tenure.

Conclusion

One could not help but note the extreme similarities between the Speech and that of 2008. There were several instances where the spending provisions were almost identical and proposed activity in 2009 very similar to 2008. Many items budgeted for in 2008 did not take place but there is no explanation why, or what happened with the allocation.

The presentation was long on words, plentiful in figures, devoid of any connecting plan and short of any measures which can bring hope and joy to persons on Jagan's lower rung of the economic ladder. It failed however to connect the dots between these variables, to make any sense to the reader. It is almost as if Dr. Singh has lost professional direction and wishes to evade reality.

Highlights

2008 Facts

- Growth in real GDP of 3.1% compared to a target of 4.8%. Growth of 3.8% for the first half of the year and growth of 5.4% in 2007.
- Overall balance of payments surplus of US$7Mn compared with a deficit of US$1.4Mn in 2007 and a projected surplus of US$3.6Mn for the year.
- The 91-day Treasury bill rate increased from 3.9% in 2007 to 4.19%.
- Inflation rate of 6.4% compared to a target of 6.8%. Actual in the first half of 2008 of 5.8% and 2007 rate of 14%.
- Depreciation of the Guyana Dollar to the US$ was a modest 0.86%. Average market mid-rates for US$ depreciated by 0.26% but in relation to the Canadian dollar, Pound Sterling and the Euro there was appreciation of 13.61%, 23.70% and 6.94% respectively.
- Increase in Current Revenue collections by 0.53% from G$82.5Bn in 2007 to G$82.9Bn.
- Minimum public sector wage of $29,836 per month compared to $28,417 in 2007, an increase of 5%.
- Contraction in sugar 15% and manufacturing 2% (increases in rum, other beverages and paints, decline in flour). Growth in rice 11%, mining & quarrying 6% (bauxite 6.7% decline and raw gold declarations 9.7% increase), engineering & construction 9%, transportation & communication 10%, and distribution 12%.
- Exports increased by 14.4% to US$798.4Mn compared to an increase in imports by 22.3% to US$1,300.2Mn contributing to a trade imbalance of US$501.8Mn up by 31.5% from US$381.6Mn in 2007.
- Current account deficit of US$299.1Mn (2007 US$189.1Mn) and net inflows on the capital account of US$305.7Mn (2007 US$168.7Mn).

2009 Targets

Size of the Budget: *$128.9Bn,8.1% increase*

- Inflation of 5.2% with growth in Real GDP of 4.7%.
- Current revenue of $90.3Bn, an increase of 9.5% over 2008.
- Balance of payment deficit of US$13.9Mn.
- Current expenditure (excluding interest) of $81.3Bn, an increase of 4.1% over 2008.
- Overall deficit of non-financial sector to decline from $18.5Bn (7.9% of GDP) to $16.7Bn (6.5% of GDP).
- Increase in overall deficit after grants to $18.7Bn or 7.3% of GDP.
- Capital expenditure is projected to increase by 27.8% to $46.5Bn.

Review 2008

Economic Targets

Sector	2009 Budget %	2008 Actual %	Half Year 2008 Actual %	2008 Budget %	2007 Actual %	2007 Budget %
Real GDP growth	**4.7**	**3.1**	**3.8**	**4.8**	**5.4**	**4.9**
Sugar	28.2	(15.1)	2.3	8.8	2.7	9.8
Rice	(7.1)	10.5	2.1	7.6	(2.9)	4.6
Livestock	3.0	7.4	9.6	2.5	2.0	2.0
Forestry	0.3	(15.2)	(23.0)	3.0	(11.1)	5.0
Mining and Quarry	(1.4)	6.1	15.2	5.8	22.7	3.6
- Gold	(1.5)	9.7	12.0	(2.7)	15.7	2.5
- Diamonds	(2.3)	(37.2)	(51.6)	NA	(21.0)	4.5
- Bauxite	(7.1)	(6.7)	22.8	17.1	51.6	0.2
Manufacturing	-	(2.0)	(3.0)	3.0	1.0	4.0
Engineering and construction	3.8	8.5	4.6	4.0	5.7	5.0
Services	NA	NA	5.1	NA	NA	NA
- transport and communication	4.0	9.9	4.5	8.0	13.0	10.0
- distribution	3.5	11.8	11.0	5.0	9.0	4.0
- rent of dwellings	1.5	4.5	3.0	2.0	3.0	2.0
Financial Services	4.0	12.0	8.5	5.5	7.0	4.3
Other Services	2.0	7.0	NA	4.0	5.0	6.0

NA Not available

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

The Global Economy

The Minister reported global growth of 3.4% in 2008, lower than each of the past two years, a decline attributed to the instability in the world's financial markets. Despite this, the US economy moved along at a rate of 1.1% while the Asian giants China and India recorded growth of 9% and 7.3% respectively.

Growth in the global economy is expected to be lower at 0.5% in 2009 as the start of the year found the United States in recession. Emerging and developed economies is projected to grow by 3.3%.

In the Caribbean, growth was estimated at 2.4% in 2008 and is projected at 1.4% in 2009.

The Domestic Economy

	Target 2009	Actual 2008	Target 2008	Actual 2007
Real GDP growth	4.7%	3.1%	4.8%	5.4%
Inflation rate	5.2%	6.4%	6.8%	14.0%
Current account deficit of the balance of payments	US$288.7Mn	US$299.1Mn	US$ 246.3Mn	US$189.1Mn

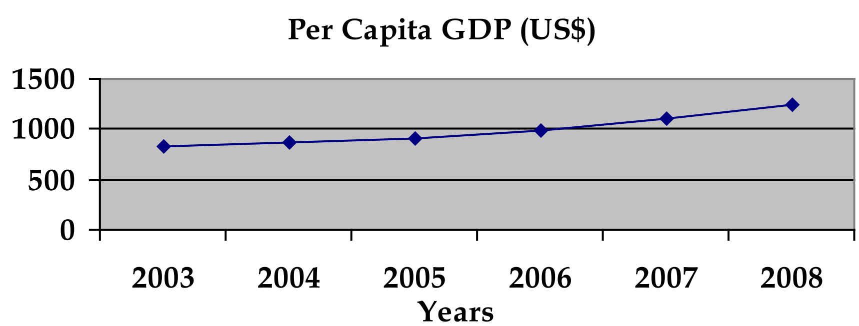
Half-year growth in real GDP was reported by the Minister of Finance during November at 3.8% with significant performance in the agriculture, mining, engineering & construction and service sectors.

Sugar production declined by 15.1% over 2007, a shortfall of 63,733 tonnes. The Minister cited complications surrounding the transition of the Skeldon Sugar Factory, adverse weather patterns and pest infestation as some of the reasons. In rice, 8,574 tonnes were produced in excess of the projected 321,000 tonnes due to favourable price conditions which resulted in an increase in output of 10.5% compared to 2007. The forestry sub-sector which has been affected primarily by stronger regulations had negative growth of 15.2%.

Mining and quarrying continued with positive growth of 6.1%. Influenced by high gold prices on the international market and suitable weather conditions, raw gold declarations were 261,424 ounces exceeding the previous year by 9.7%. Diamond declaration however fell by 37% to 168,926 carats. Having increased by 23% in the first half of 2008, bauxite had a dramatic reversal in the second half to end the year down at 6.7%.

The manufacturing sector had an overall decline of 2% but engineering and construction and the transport and communications sectors reflected growth of 8.5% and 9.9% respectively.

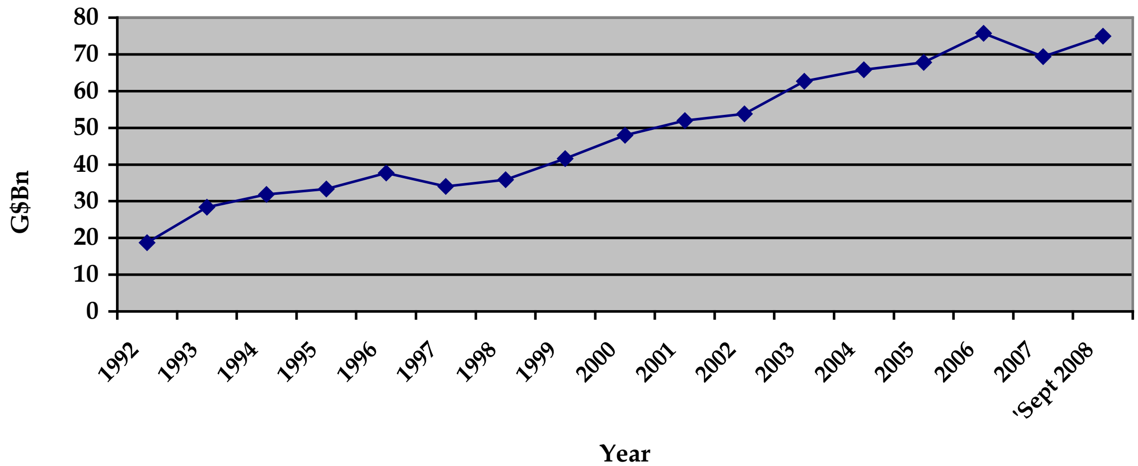
Per capita GDP for 2008 was US$1,233.66 compared with US$1,111 in 2007.



Source of information – Bureau of Statistics

Domestic Debt

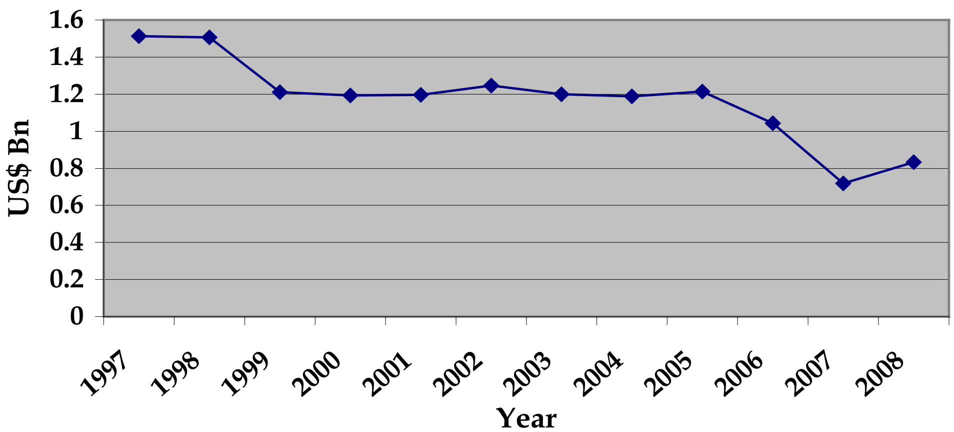
The growth in the domestic debt from 1992 to September 2008 is shown in the following graph:



Source of information – *BOG Statistics – All shown at December except 2008.*

External Debt

The movement in the external debt from 1997 to 2008 is shown in the following graph:



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

Balance of payments

The current account on the balance of payment reflected a surplus of US$7Mn in 2008, a substantial increase of US$8.4Mn over 2007.

Balance of Payments Stated in US$ Mn	**Budget** **2009**	**Revised** **2008**	**Budgeted** **2008**	**Actual** **2007**
CURRENT ACCOUNT	**(288.70)**	**(299.10)**	**(246.30)**	**(189.10)**
Merchandise trade	(420.50)	(501.80)	(388.10)	(365.10)
Services (net)	(128.20)	(126.10)	(135.60)	(110.80)
Transfers	260.00	328.80	277.40	286.80
CAPITAL ACCOUNT	**274.80**	**305.70**	**249.90**	**168.70**
Capital Transfers	36.80	38.70	79.80	414.10
Non - financial public sector	108.00	93.70	59.30	(260.70)
Private capital	162.00	179.10	130.70	110.30
Short term capital	(32.00)	(5.80)	(19.90)	(95.00)
Errors and Omissions	**-**	**0.40**	**-**	**19.10**
Overall balance	**(13.90)**	**7.00**	**3.60**	**(1.30)**

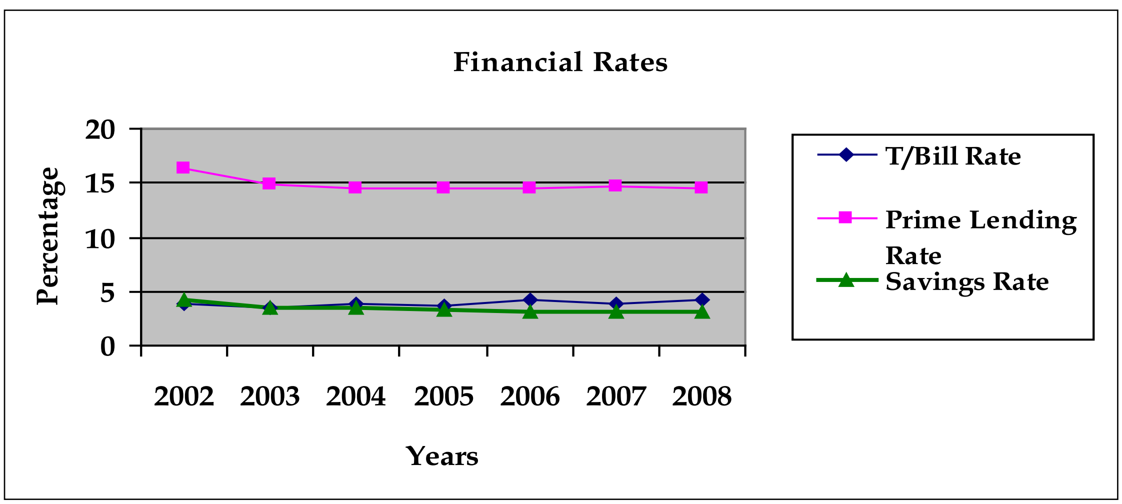
Source of information - *Estimates of the Public Sector*

The reported private transfers representing remittances and in-kind transfers amounted to US$328.8Mn.

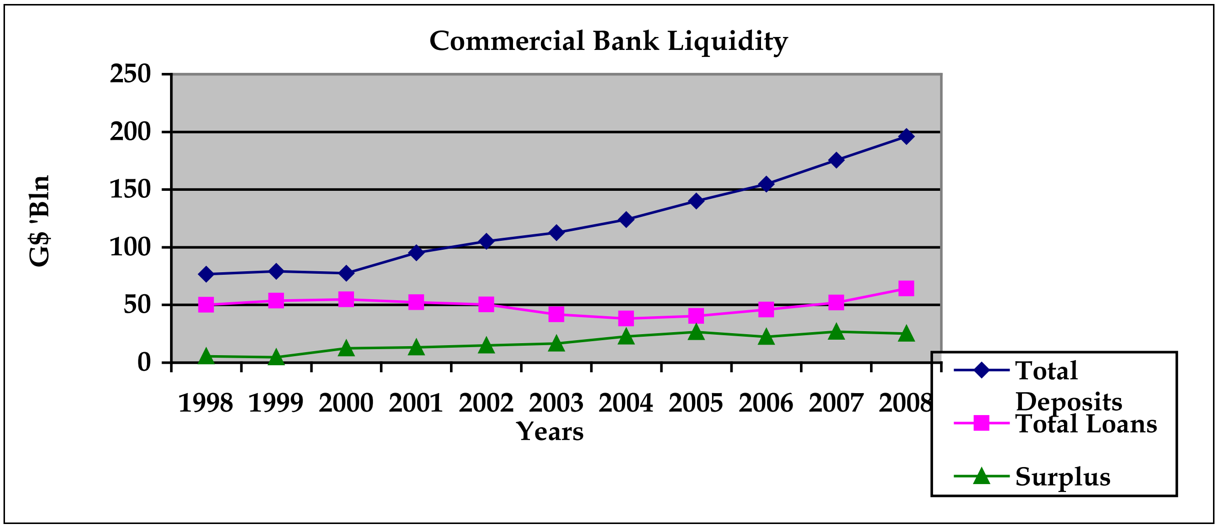
Banking and Interest Rates

There was a small increase in the 91-day Treasury bill rate from 3.90% to 4.19% and reductions noted in the small savings rate from 3.15% to 3.06% and the weighted average prime lending rate from 14.71% to 14.54%.

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$203.5 to G$205.25 per US dollar, an increase of 1%.

Ram & McRae's Comments

- Several sector outputs standout in comparison with the prior year as follows:

	2008	2007	Change	
Sugar (tonnes)	226,267	266,482	(40,215)	-15.1%
Rice (tonnes)	329,574	298,198	31,376	10.5%
Bauxite (tonnes)	2,092,237	2,242,928	(150,691)	-6.7%
Gold (ounces)	261,424	238,928	22,496	9.4%
Diamonds (carats)	168,926	268,925	(99,999)	-37.2%

Source: 2007 and 2008 Budget Speeches

- The future of the sugar industry is heavily dependent on the Skeldon Sugar Factory which is yet to commence operations though it was slated to be commissioned during October 2008. With adverse weather patterns and ill preparation of farm lands in the wake, an interim Board has been mandated to do a turnaround plan. Troublingly it is the first occasion that a Government official has used the word "if" in discussing the future of the industry.

- The Minister stated the reduction in diamond is attributable to the diversion to gold mining due to the favourable gold prices present on both local and world markets.

- Given the declining global demand for alumina, the bauxite industry was unable to meet its target in the latter half of 2008 though surpassing its half way projections by 22%. We can relate to the effects of this in the Caribbean as Jamaican bauxite company, West Indies Alumina

Company (Windalco) repatriated approximately 250 employees of the company due to its temporary closure in early February 2009.

Bauxite Company of Guyana Inc (BCGI), a subsidiary of RUSAL, the holding company of Windalco, is experiencing a similar deteriorating global economic environment when in December 2008, the company released fifty employees as they tried to cope with rising costs and slumping demand for aluminium internationally. The Government which had extended generous concessions to the Russian and Chinese bauxite operators is clearly disturbed that the conditions which caused the decline would persist indefinitely.

- We have commented elsewhere about the alarming increase in the domestic debt which the Minister continues to ignore. He also did not seem particularly perturbed at an 18% increase in the external debt in 2008. Debts have costs and their availability sometimes result in decisions that may otherwise not be made. We continue to believe that better expenditure control could lead to both a better service delivery as well as lower cost.

- The Minister did not address the dependency of the economy on remittances – inflows from which are greater than the export earnings from rice and sugar combined.

- Despite the considerable excess liquidity in the banking system, bank lending rates remain high.

2008 Legislation

Twenty out of twenty-six Bills tabled in the National Assembly were passed while two additional Bills from 2007 were passed during 2008. Of the twenty-two passed, twenty one were assented to and therefore became law when published in the Gazette (please refer to Appendix A). An additional two bills from those tabled, Trade Union Recognition (Amendment) Bill 2008 and Child Care and Protection Agency Bill 2008, were passed early in January 2009. Several bills had to be tabled more than once while two of those which were sent to Select Committees of Parliament are still under review.

Major Acts of business interest passed in 2008 are as follows:

1. Income Tax (Amendment) Act 2008
2. Tax (Amendment) Act 2008
3. Evidence (Amendment) Act 2008
4. Fiscal Enactments (Amendment) Act 2008
5. Telecommunications (Amendment) Act 2008

Income Tax (Amendment) Act 2008

The amendment effected an increase in the personal allowance from $336,000 to $420,000 per annum from January 1, 2008.

Tax (Amendment) Act 2008

Section 16 of the Act providing for the payment of stamp duty on the nominal share capital of companies was repealed. *See Comment 1 below.*

Evidence (Amendment) Act 2008

Three new sections were inserted to allow for taking oral evidence and making submissions by audio visual link, using such facilities in civil and criminal proceedings, and using such facilities for identification parades.

Fiscal Enactments (Amendment) Act 2008

The Act amended the Income Tax Act Cap. 81:01 and the Income Tax (In Aid of Industry) Act Cap. 81:02 in the following respects:

Amendment to the Income Tax Act Cap. 81:01

The amendment re-inserts section 105: Power to Remit Tax, and allows the Minister to make regulations for the remitting wholly or in part of the tax payable by any person or category of persons on such income, in respect of any year of assessment, and in accordance with such specified conditions subject to negative resolution by the National Assembly. No such Regulations have been made to date.

Amendment to Income Tax (In Aid of Industry) Act Cap. 81:02

The Act amended section 2 (a) of this Act to *"redefine and amplify eligible Regions and fields for tax holidays for certain periods."* Regions in which tax concessions could be granted for activities that create new employment are as follows:

(i) Region 1: Barima - Waini
(ii) Region 7: Cuyuni - Mazaruni
(iii) Region 8: Potaro - Siparuni
(vi) Region 9: Upper Takatu - Upper Essequibo
(iv) Region 10: Upper Demerara - Upper Berbice
(v) such other regions as the Minister may, by Order, subject to negative resolution of the National Assembly, specify.

The Act amends section 2 (b) of this Act to expand the activities which can attract concessions as follows:

(i) non-traditional agricultural development and agro-processing, including aquaculture and production of bio-fuels;
(ii) information and communications technology, not including retail and distribution;
(iii) petroleum exploration, extraction and refining;
(iv) mineral exploration, extraction and refining;
(v) tourist facilities;
(vi) value-added wood processing;
(vii) textile production; biotechnology;
(viii) development and manufacturing of new pharmaceutical products, chemical compounds and the processing of raw materials to produce injectables;
(ix) infrastructural development, including the production of electricity using renewable sources of energy; and
(x) such other fields as the Minister may, by order subject to negative resolution of the National Assembly specify.

The Act further provides for exemptions to be granted for a period not to exceed five years, except in the case of new economic activity specified above where the period may be extended to ten years by the Minister or for a period longer than ten years in the case of *infrastructural development, including the production of electricity using renewable sources of energy. See Comment 2 below.*

Telecommunications (Amendment) Act 2008

The Act amended the Principal Act by the insertion of four sections with provisions prescribed to licensees of a telecommunication system to obtain and store records of SIM cards activated and mobile cellular phones used on their network, sets time limits for updating records and storing data, and provides for evidence to be given by technical experts to protect their identity.

Value-added tax Orders

Two orders were made under the Value-Added Tax Act 2005 to zero-rate wheat and those items listed by the Minister in his budget presentation for 2008 which included among others, flour, certain locally produced items and paddy.

Tourism Authority Regulations

The following Regulations were made during the year to regulate various participants of the tourism industry:

- Guyana Tourism Authority (Tourism Accommodation Establishments) Regulations 2008
- Guyana Tourism Authority (Tour Operators) Regulations 2008
- Guyana Tourism Authority (Tourist Guides) Regulations 2008
- Guyana Tourism Authority (Lodges and Resorts) Regulations 2008

The Regulations provide for the licensing and conduct of the various participants.

Gambling Prevention Regulations

The following Regulations were made under the Gambling Prevention Act:

- Gambling Prevention (Casino Operations Prescribed Fees) Regulations 2008
- Gambling Prevention (Establishment of Gaming Authority) Regulations 2008

The Gambling Prevention (Establishment of Gaming Authority) Regulations 2008 came into effect on October 31, 2008 and a Casino Premises licence and Casino Operators licence were granted by the Authority in January 2009. *See Comment 3 below.*

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

Tabled during 2007, the Bill remains at the Select Committee stage in the National Assembly but is expected to be tabled during 2009 given a request by the President to expedite the discussions. This publication noted in 2008 that such legislation was urgent and called on Parliament to act far more expeditiously to operationalise the legislation. *See Comment 4 below.*

Trade Union Recognition (Amendment) Bill 2008

This amendment changes the basis of recognition of an association of trade unions from the one with largest membership i.e. highest number of trade unions, to the one representing the largest number of workers. *See Comment 5 below.*

Ram & McRae's Comments

1. This removes an anomaly since under the Companies Act 1991 the concept of nominal capital had been abolished.

2. These sweeping amendments became necessary after it became apparent that Cabinet had agreed tax concessions to Queens Atlantic Investment Inc. not authorised by law.

We believe that the Government has been far too generous with tax concessions without any hard evidence of the returns from such concessions or mechanisms for ensuring that there is a proper written enforceable agreement under which there are clawback and penal provisions for failure by the investor to honour his several commitments under the agreement.

3. The regulations include application forms which we consider inadequate for an industry that is vulnerable to unsociable and possibly illegal conduct. In our view an application should be in the form of a professional dossier.

4. We do not believe that the Bill as presently drafted takes sufficient note of the particular circumstances of Guyana including the extent of the criminalised, informal economy. For our recommendations please refer to page 32 - Commentary and Analysis: *The Regulatory Framework.*

5. This Act now will effectively replace the Trades Union Congress (TUC) with the Federation of Independent Trade Unions of Guyana (FITUG) which generally supports the Government. Even before the Act was assented to the TUC representative was replaced on the Privatisation Board by the representative of FITUG.

Unfinished Business

We have decided not to bore readers with repetitions of the fourteen issues identified as unfinished business in our 2008 Budget Focus.

The only item which had some modest development is Justice Improvement. The Minister announced that $1.8Bn will be spent on strengthening the country's judicial system in 2009. Our concern is whether the judiciary has the capacity to absorb the expenditure. We also found it difficult to determine the composition of this amount.

In 2008 there was a substantial allocation for airstrips at Wakenaam and Leguan. Allocations are again provided for these and one needs to know how the allocated sum was dealt with in 2008.

Other issues refer to in 2008 and which have not been achieved include the introduction of a credit bureau, a new Education Act, a Conservatory Adoption Project for which $500m was allocated in 2008; and technical deliberations on establishing an affordable financial sector.

Finally it seems as though the government has abandoned Deposit Insurance in the Financial Sector and Co-op Insurance in Agriculture. That is a pity.

2009 Policy Issues and Targets

In introducing the financial targets for 2009, the Minister announced that the budget is crafted with the objective of preserving macroeconomic stability and stated that he was also cognisant of the fact that the country is operating in a global economy which is currently experiencing its most challenging time in recent memory.

- The projected growth rate of 4.7% is better than achieved in 2008 and projected in the 2005 Progress Report on the Poverty Reduction Strategy Paper.

- Sugar production fell in 2008 by 15.1% and this is expected to be reversed in 2009 so that budget production for 2009 will be 290,000 tonnes. After a number of unsuccessful trials, the Skeldon factory is now expected to be fully operational in mid 2009.

- The rice industry is projected to decline by 7.1%. The forestry sector is projected to grow by 0.3% while the fishing sector is projected to remain flat. Livestock is projected to grow at 3% while other agriculture is projected to grow by 2%.

- The mining and quarrying sector is targeted to contract by 1.4%. Bauxite production is projected to fall by 7.1% to 1,943,624 tonnes.

- Gold and diamond declarations are projected to decline by 1.5% and 2.3% respectively.

- Engineering and construction is targeted to grow by 3.8% reflecting the continued development in the housing, commercial and financial sectors while the manufacturing sector is projected to remain flat.

- Growth of 4% is projected in the transport and communication sector.

Monetary Policy & Inflation

The Minister announced that the rate of inflation for 2009 is projected at 5.2% compared with a target of 6.4% experienced in 2008.

An overall rate however masks some significant variations and the highest group continues to be food which could have a direct impact persons living below the poverty line.

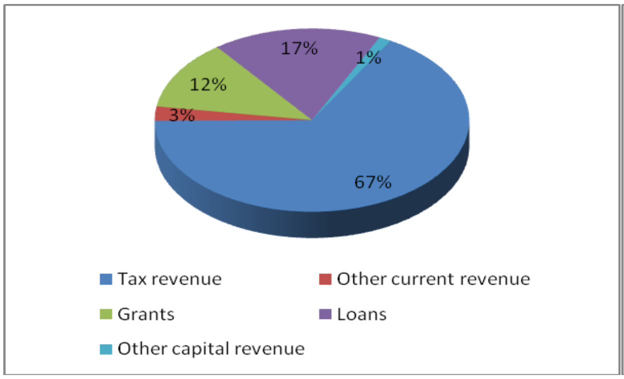
Balance of Payment

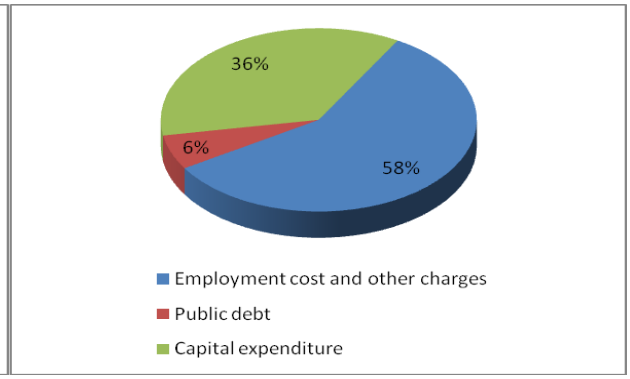
The Minister projects the overall balance of payments to have a deficit of US$13.9Mn compared with a surplus of US$7Mn in 2008. On the trade side, merchandise exports are projected to decrease by 4% to US$763.5Mn while merchandise imports are projected to decline by 8.9% to US$1,184Bn. With net imports of services at US$128.2Mn, and private transfers of US$260Mn., the balance on the current account is projected to have a net deficit of US$288.7Mn.

The capital account is projected to decline to US$274.8Mn in 2009 (US$305.7Mn in 2008). In this account, a net inflow of US$270Mn is expected from medium and long term capital while a net outflow of US$32Mn is expected on short term capital.

Revenue and Expenditure

Revenue and expenditure for the year 2009 is represented by the following graphs respectively:





Source: Estimates of the Public Sector

The size of the 2009 budget is $128.9Bn which is 9.2% more than 2008 latest estimate and 8.1% higher than the 2008 budget.

Ram & McRae's comments

Other than the orthodox mantra of maintaining macro-economic fundamentals, there is hardly any discernible policy underlying the projections and like expenditure, the public is merely fed with a series of numbers. In any case as examined in Commentary and Analysis, there are a series of objectives in achieving macro-economic fundamentals and we find if hard to exclude careful financial planning, measurable quality benchmarks and post-project analysis. Like in earlier years, there seems to be no attempt to introduce creativity in place of a mere repetition.

Somewhat surprisingly, the Minister did not mention the Poverty Reduction Strategy Paper or the Millennium Development Goals in this presentation.

There is no virtue in the boast of bigger if it is not better and smarter. After all debt costs money to be borne by the very people one is seeking to help. The significant annual deficits on the current account have to be financed by borrowings.

The Government of Guyana Financial Plan 2009

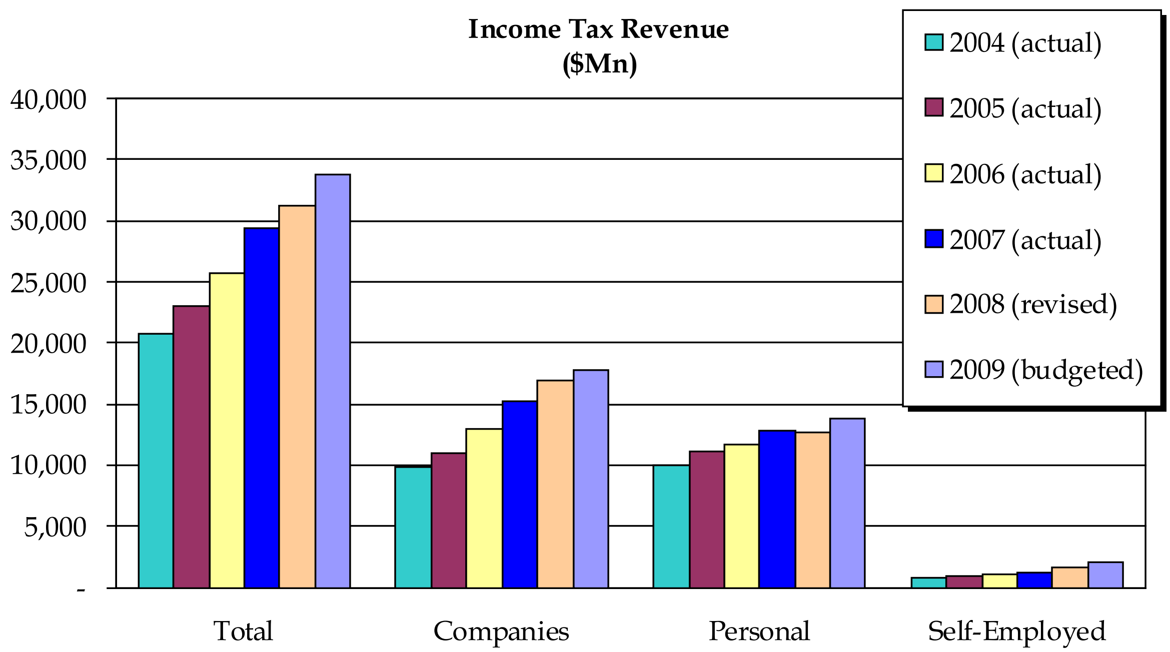
The table on page 24 presents a summary of the Government's projected Financial Plan for 2009.

The 2009 Plan projects a surplus on the current account of $7.9Bn, but an overall surplus of $1.9Bn.

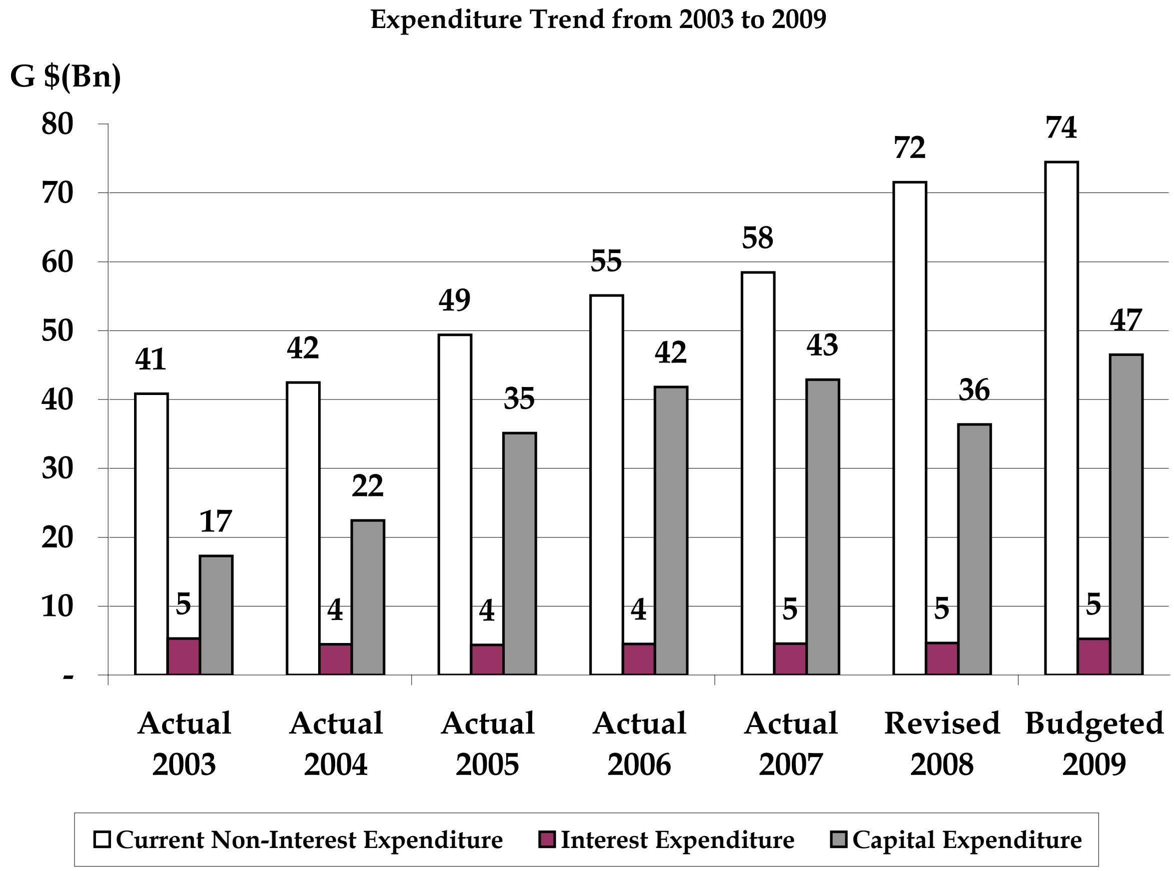
The main elements of the 2009 Plan are:

Current revenues are projected to increase by $7.8Bn to $90.3Bn or by 9.5%. The Guyana Revenue Authority is expected to bring in revenues of $86.4Bn or 95.7% of current revenue. The GRA's collection is projected to increase by $7.3Bn, or 9.2% over 2008.

Of the GRA's collections, the Internal Revenue is expected to bring in $37.4Bn compared with $34.6Bn in 2008, an increase of 8.2% or $2.8Bn while Value-Added and Excise Taxes are expected to be $41.3Bn compared to $37.1Bn in 2008, an increase of 11.2%. Collections by the Customs and Trade Administration are anticipated to be $7.8Bn, an increase of $0.3Bn or 3.7% from 2008.



Total Current non-interest expenditure is projected to increase by $2.5Bn from $72Bn to $74.5Bn for 2009 as compared with revised 2008 figures. Personal emoluments of $26.6Bn represent an increase of 11.3% or $2.7Bn over the revised figures for 2008.



Capital revenue and grants are projected to increase by $1.3Bn to $17.7Bn for 2009 from $16.4Bn in 2008. HIPC funds are projected at $1.6Bn or $0.7Bn less than 2008 of $2.3Bn, while Project and Programme funds will have a significant increase of $2.5Bn.

Capital expenditure of $46.5Bn represents an increase of $10.1Bn or 27.8% over 2008 revised estimates of $36.4Bn.

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

Interest expenditure is projected to increase by 13.8% or $0.6Bn from $4.6Bn in 2008 to $5.3Bn in 2009, with domestic interest showing an increase of $409Mn while interest on external debt is projected to increase by $232Mn.

The principal element of debt repayment is projected at $2.6Bn (2008 – $5Bn) made up of domestic debt repayments of a projected $1Bn (2008- $3.1Bn) while external debt repayment is projected at $1.6Bn from $1.9Bn in 2008. During 2009, domestic and external debt service as a percentage of current revenue is projected at 8.7% compared with a revised for 2008 of 11.7%.

There is an overall balance of $20.9Bn which will be financed by a combination of domestic and external borrowings.

Ram and McRae's Comments

1. The Government's Medium Term plan envisages an increase in tax revenue from $87Bn in 2009 to $115Bn in 2012 with the distribution between the various types of taxes remaining largely the same. There is clearly no intention of the Government to move away from its current policies of tax more and spend even more.

2. The non-revenue neutral Value-Added and Excise taxes were lower in 2008 than anticipated but this deficit is expected to be cleared in 2009 with budgeted collections expecting to represent 99.6% of the original 2008 budget and still 66% over the revenue-neutral position of the 2007 budget. There seems no intention to honour a commitment made to the National Assembly that these taxes would be revenue neutral.

   We believe that the Government is doing nothing about its promise not only because of the weak and divided state of the trade union movement, the absence of an effective opposition and because of its unwillingness to practise expenditure management.

3. The enormous disparity between the taxes paid by the employed and self-employed continues and the medium term plan shows a negligible increase in the contribution by the self-employed. Employed persons have little control over the taxes deducted under the PAYE system, and despite the abuse of tax-free allowances, the taxes paid by the self-employed leave much to be desired. Tax evasion is now so endemic in high and influential places that those engaged in the practice assume that they are immune from action. With present policies it is reasonable to assume that fairness will not be brought to the system.

4. While the debt repayment percentages are not unreasonable they should be kept under constant review. Perhaps because interest relates to borrowings, no Minister is ever comfortable addressing this issue.

Financial Operations of Central Government (Accounting Classification)

Particulars	Budgeted 2009	Revised 2008	Budget 2008	Actual 2007	Revised 2007	Budget 2007	Actual 2006	Actual 2005
CURRENT REVENUE	**90,285.1**	**82,484.1**	**81,638.8**	**80,356.8**	**80,293.6**	**64,907.6**	**62,450.1**	**56,152.3**
1.1 Guyana Revenue Authority	86,387.3	79,133.9	78,204.0	77,353.2	77,290.1	60,819.7	58,540.2	52,980.8
1.1.1 Internal Revenue	37,362.0	34,547.7	30,125.7	32,456.6	32,392.9	30,188.6	30,511.3	27,199.7
1.1.2 Customs & Trade	7,758.8	7,484.4	6,662.9	8,183.4	44,897.2	5,794.1	28,028.9	25,781.1
1.1.3 Value Added and Excise Taxes	41,266.6	37,101.7	41,415.5	36,713.2		24,837.0	-	-
1.3 Other	3,897.8	3,350.2	3,434.8	3,003.5	3,003.5	4,087.9	3,909.9	3,171.5
CURRENT EXPENDITURE	**74,494.6**	**71,538.5**	**67,991.7**	**58,432.7**	**58,527.7**	**55,698.1**	**55,108.5**	**49,390.9**
2.1 Personal Emoluments	26,623.2	23,911.4	24,521.3	21,987.9	22,064.2	21,986.4	2,085.0	18,538.6
2.2 Goods and Charges	26,759.1	24,256.3	24,364.6	20,341.4	20,357.4	18,194.6	19,484.3	17,089.3
2.3 Transfer to the Private Sector	21,112.3	20,071.7	19,105.8	16,103.4	16,106.1	15,517.1	15,539.2	13,763.0
2.4 Transfer to the Public Sector	-	3,299.1	0.0	0.0	0.0	0.0	0.0	0.0
INTEREST EXPENDITURE	**5,263.3**	**4,622.8**	**4,948.3**	**4,538.5**	**4,538.4**	**5,402.7**	**4,484.4**	**4,370.4**
3.1 Domestic	3,384.7	2,975.8	2,892.1	3,105.4	3,105.4	3,615.5	2,618.4	2,934.4
3.2 External (Cash)	1,878.6	1,647.0	2,056.2	1,433.0	1,433.0	1,787.2	1,866.0	1,436.1
CURRENT BALANCE	**10,527.2**	**6,322.8**	**8,698.8**	**17,385.6**	**17,227.5**	**3,806.8**	**2,857.2**	**2,390.9**
CAPITAL REVENUE & GRANTS	**17,724.0**	**16,432.2**	**21,733.2**	**10,314.8**	**10,314.8**	**12,026.2**	**15,141.5**	**9,360.1**
5.1 Grants	17,724.0	15,953.2	21,733.2	10,314.8	10,314.8	12,026.2	15,141.4	9,341.1
5.1.1 HIPC	1,643.9	2,341.6	2,351.5	2,802.8	2,802.8	2,822.8	3,820.9	2,783.2
5.1.2 Project and Programme	16,080.1	13,611.6	19,381.7	7,512.0	7,512.0	9,203.4	11,320.5	6,557.9
5.2 Other (inc. Sale of Assets)	-	479.0	-	-	-	-	-	-
CAPITAL EXPENDITURE	**46,502.6**	**36,389.6**	**40,853.8**	**42,877.2**	**42,892.5**	**36,697.5**	**41,806.4**	**35,143.2**
DEBT REPAYMENT	**2,622.1**	**5,028.9**	**5,411.2**	**1,806.3**	**1,806.3**	**2,114.2**	**3,452.6**	**2,171.9**
7.1 Internal	1,009.9	3,078.0	3,078.1	52.3	52.3	51.9	1,143.4	34.6
7.2 External (Cash)	1,612.2	1,950.9	2,333.1	1,754.0	1,754.0	2,062.3	2,309.1	2,137.3
OVERALL BALANCE	**(20,873.5)**	**(18,663.5)**	**(15,833.0)**	**(16,983.1)**	**(17,156.5)**	**(22,978.7)**	**(27,260.3)**	**(25,564.1)**
TOTAL FINANCING	**20,873.5**	**18,663.4**	**15,830.5**	**17,156.5**	**17,156.5**	**22,978.7**	**27,260.3**	**25,564.1**
9.1 External	33,509.4	27,375.3	33,169.3	19,964.1	19,964.1	18,156.4	17,007.9	17,599.7
9.2 Domestic	(12,635.9)	(8,711.9)	(17,338.8)	(2,807.6)	(2,807.6)	4,822.3	10,252.4	7,964.4
Total Domestic and External Debt Service as a % of Current Revenues	**8.7**	**11.7**	**12.7**	**7.9**	**7.9**	**11.6**	**12.7**	**11.7**

Source: *Estimates of the Public Sector 2005 to 2009*

Who Gets What in 2009

Current Non-Interest Expenditure

In this section we consider how the budgeted expenditure is allocated among the principal 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$74.495Bn which is 3.5% more than revised 2008. The Ministries/ Departments with the most significant allocations are:

Ministries/Departments	2009		Revised 2008		% Inc./ (Dec)
	$ (Mn)	%*	$ (Mn)	%*	
Ministry of Finance	15,261	20.49	15,344	21.31	(0.54)
Ministry of Education	6,625	8.89	5,129	7.12	29.17
Ministry of Home Affairs	6,118	8.21	5,940	8.25	3.00
Guyana Defence Force	5,320	7.14	5,289	7.35	0.59
Ministry of Labour, Human Services, And Social Sector	4,933	6.62	4,242	5.89	16.29
Ministry of Health	3,753	5.04	3,161	4.39	18.73
Georgetown Public Hospital Corporation	3,133	4.21	2,682	3.72	16.82
Ministry of Foreign Affairs	2,579	3.46	2,319	3.22	11.21
Guyana Elections Commission	2,483	3.33	2,281	3.17	8.86
Ministry of Agriculture	2,364	3.17	2,773	3.85	(14.75)
* Percentage of total current non-interest expenditure					

The regions with the most significant allocations are:

Region	2009		Revised 2008		% Inc./(Dec)
	$ (Mn)	%*	$ (Mn)	%*	
No. 6 East Berbice/Corentyne	2,891	20.15	2,451	19.47	17.95
No. 4 Demerara/Mahaica	2,277	15.87	1,995	15.85	14.14
No. 3 Essequibo Islands/West Demerara	2,073	14.45	1,815	14.42	14.21
No. 2 Pomeroon Supenaam	1,519	10.59	1,315	10.44	15.51
No. 9 Upper Demerara/ Upper Berbice	1,346	9.38	1,218	9.67	10.51
No. 5 Mahaica/Berbice	1,181	8.23	1,066	8.47	10.79
* Percentage of total regional allocation					

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

Ministries/Departments	Budgeted 2009	Actual 2008	Difference	% Inc/(Dec) 09/08
	$ (Mn)	$ (Mn)	$ (Mn)	
Office of the Prime Minister	136	3,419	(3,283)	(96.02)
Ministry of Public Works and Communication	839	572	267	46.68
Ministry of Education	6,625	5,129	1,496	29.17
Public Service Ministry	313	246	67	27.24
Ministry of Health	3,754	3,161	593	18.76
Supreme Court	851	720	131	18.19
Georgetown Public Hospital Corporation	3,134	2,682	452	16.85

Capital Expenditure

Central Government's capital expenditure for the year is budgeted at G$46.502Bn which is 27% above revised 2008 and 21% of total 2009 expenditure. The Ministries/Departments with the most significant capital expenditure allocations compared with the latest estimates are:

Ministries/Departments	2009		2008		% Inc./(Dec)
	$ (Mn)	%*	$ (Mn)	%*	
Office of the Prime Minister	4,594	9.88	6,665	18.32	(31.07)
Ministry of Agriculture	6,408	13.78	1,488	4.09	330.65
Office of the President	436	0.94	297	0.82	46.80
Ministry of Local Government and Regional Development	1,384	2.98	752	2.07	84.04
Ministry of Tourism, Industry and Commerce	1,051	2.26	135	0.37	678.52
Ministry of Housing and Water	5,855	12.59	3,222	8.85	81.72
Ministry of Home Affairs	1,644	3.54	821	2.26	100.24
Ministry of Legal Affairs	542	1.17	73	0.20	642.47
* Percentage of total capital expenditure					

The capital payment for the Office of the Prime Minister includes $4.539Bn for rural electrification. Significant items of capital expenditure for the Ministy of Agriculture and the Ministry of Housing and Water are as follows:

Agriculture:

- Rural Support Project $846Mn
- Hydrometeorology $415Mn
- Rice Competitiveness Programme $740Mn
- Provision of an alternative outlet for the drainage of EDWC and purchase and installation of pumps $2.8Bn

- Agricultural Support Services Project $1Bn
- National Drainage and Irrigation Authority $985Mn

Housing & Water Authority:

- Water Supply Technical Assistance / Rehab $2.2Bn
- Development of housing areas $800Mn
- Drainage and Irrigation Support Project $800Mn
- Georgetown Remedial & Sewerage Project Phase II $711Mn

Highlights from Ministers' Speech

The Minister in his speech highlighted the following allocations:

Area	2009 $Mn
Modernising the traditional sectors - Skeldon Factory and Enmore Package Plant	6,000
Agriculture sector	4,428
Roads and bridges	7,000
Air and River Transport	1,694
Sea and river defence	2,200
Drainage and irrigation	7,900
Energy and power generation	5,341
Education Sector	20,400
Health Sector	12,800
Housing, Water and Sanitation Sector	1,600
Security sector	13,600
Hydrometeorology	328
Justice Sector	1,800

Ram & McRae's Comments

The Minister has continued the unfortunate practice of listing projects and their price tags but failing to offer any indication to the House on the institutional arrangements for spending the money. Will it be the region and what kind of feasibility has been done to justify the timing and nature of the expenditure?

The Speech and the Budget include what is clearly a Guysuco project without any indication of the reason.

Once again there are budgetary provisions for airstrips at Leguan and Wakenaam, projects that appeared last year with other projects and a lower allocation. The Minister could have explained why the airstrips were not done in 2008 and where the money has gone.

Of particular concern to us is the vast sums being spent by the National Drainage and Irrigation Authority – a separate statutory body – for which no audited financial statements appear ever to have been tabled in the National Assembly.

It unfortunate that the Minister can imprecisely inform his colleagues that "in excess of $2.5 billion is budgeted" for what appears to be both capital and revenue expenditure. Moreover for the projects identified, we consider the budgetary allocation overly generous.

Expenditure on Education as a percentage of total expenditure is 16% (2008 - 16%) and Health 10% (2008 - 9%)

We hope the National Assembly will take account of all these concerns as we believe they offer tremendous opportunities for savings and efficiencies. We also believe that the Public Accounts Committee needs to ensure that expenditure is constantly monitored and that the nation is indeed getting value for money.

The concerns become fears when we recognise that the Audit office has no capability to undertake even the most basic type of audit of these huge sums of money.

In the midst of a Grow More Food Campaign the Elections Commission will be spending more taxpayers' funds. Is there not a better, different and more cost effective way of preparing for and overseeing elections?

The social sector ministries, Health, Education and Social Services, received the largest percentage increases in 2009. After the significant increases in 2008, the security sector, Police and Army have reverted to more modest increases in 2009.

The expenditure in Office of the Prime Minister in 2008 primarily related to an amount paid to the Guyana Power and Light Inc. as a subsidy.

2009 Budget Measures

No budget measures were introduced by the Minister other that the increase in Old Age Pensions from $6,000 to $6,300 per month announced in December 2008.

Ram & McRae's Comments

Even more surprising than the lack of budget measures is the failure of the Minister to explain to the nation the reasons for this, even if he was asking for the tax-paying public to make sacrifices in light of the global financial crises.

Commentary and Analysis

Introduction

This section addresses issues which may or may not have been covered in the Minister's Budget Speech or dealt with elsewhere in Focus. It is our view of some matters that do require attention and we therefore add our own recommendations as necessary.

1. Flood

Following the extensive flooding in 2005, the Government spent a total of $6.795 Billion in three years, 2006-2008. Yet for more than four painful weeks the rest of Guyana witnessed the residents of Douchfour in Upper East Coast Demerara suffer from sustained flooding while the communities along the Mahaica and Mahaicony Rivers were later flooded out to save the Conservancy.

Additionally in 2006 equipment costing $500M was purchased to "rehabilitate approximately 160 miles of secondary drainage and irrigation channels" and 95 miles of fair weather access roads.

The National Drainage and Irrigation Authority (NDIA) was established under the Drainage and Irrigation Act 2004 and brought into operation effective January 1, 2006. Section 47 of the Act requires the Authority to have its financial statements audited by the Auditor General and submitted to the Minister. In fact with the coming into force of the Audit Act all such reports have to be tabled in the National Assembly and thereby become public documents. We have been unable to obtain a copy of such financial statements.

We believe that both the law and accountability require that the NDIA provide audited accounts to account for the $500 Million dollars of equipment and the $7 Billion dollars given to them since 2005.

Give Us Hope

Responding to public disquiet that the Flood problem has persisted despite the vast sums already spent and commitments the Government made, Minister of Agriculture Robert Persaud announced that the Government was treating the construction of a $3 Billion Hope Relief Channel as a priority.

The Minister claims that the decision was based on sound engineering, a claim repeated by the Head of the NDIA, though neither the Minister nor he indicated the source of that advice.

The decision however has been questioned by a number of persons and institutions including engineers Malcolm Ali, Mike Ragwen and Ralph Seegobin as well as civil society organisation Guyana Citizens Initiative whose principal interest is flood relief and who have appealed for reconsideration of Hope.

Despite those appeals Budget 2009 now provides the funds for the project even as President Jagdeo has said he was looking for Donor Funds. It has been reported that tenders have already been invited and the Government may consider it too late to revisit the question. The fear is that proceeding with the project may actually worsen rather than solve the problem, while leaving us $3 Billion worse off.

We believe that given this possibility, there needs to be a national consultation on the whole issue of flood control while ensuring that such temporary, necessary measures are taken. We are sure that there are many Guyanese who would contribute to such a process.

2. Oversized Government

In responding to a report done by Wall Street Journal and the Heritage Foundation of the USA, President Jagdeo said that compared with UK on the basis of geographical area, Guyana does not have a big government. That of course is like saying that based on population size England should have over 1600 ministries! They are both absurd propositions and instead we should be looking at affordability, needs and the other mechanisms for delivering public service.

As the table below shows the number of Ministries has grown inexorably since 1992 – from 11 to 18. And it would have been worse had circumstances not forced the Government to shut down two Ministries. In fact the comparison does not give the full picture. There are several more government agencies some of which were hived off from ministries since 1992, such as the Guyana Revenue Authority.

Table showing comparison of Ministries / Agency Offices in 1991 and 2008

1991	2008
1. Office of the President	1. Office of the President
2. Office of the Prime Minister	2. Office of the Prime Minister
3. Ministry of Labour , Human Services and Social Security	3. Ministry of Labour, Human Services and Social Security
4. Ministry of Foreign Affairs	4. Ministry of Foreign Affairs
5. Ministry of Home Affairs	5. Ministry of Home Affairs
6. Ministry of Agriculture	6. Ministry of Agriculture
7. Ministry of Health	7. Ministry of Health
8. Ministry of Public Works	8. Ministry of Public Works and Communications
9. Ministry of Finance	9. Ministry of Finance
10. Ministry of Trade, Tourism and Industry	10. Ministry of Tourism, Commerce and Industry
11. Ministry of Education and Cultural Development	11. Ministry of Education
	12. Ministry of Local Government and Regional Development
	13. Ministry of Foreign Trade and International Co-operation
	14. Ministry of Amerindian Affairs
	15. Ministry of Culture, Youth and Sports
	16. Ministry of Housing and Water
	17. Ministry of Legal Affairs
	16. Public Service Ministry

Source: *Estimates of the Public Sector*

There are two other related issues. A number of ministries now have two ministers and some even have parliamentary secretaries as well. Masking these numbers too is the vast battery of advisors particularly in the Office of the President where several former ministers are guaranteed a position.

In the Ministry of Local Government there are two former ministers who are now there as consultants.

We believe that given our economic conditions and needs, the number of ministries, departments and agencies place a costly burden on the taxpayers and that a major reorganisation is warranted. The last such exercise was done in 1990/91 when the British Government financed a study by international consultants Peat Marwick that resulted in the number of ministries being reduced from eighteen to eleven. Since 1995 the number has grown again, back to eighteen, each with significant property, personnel, and other costs that run into billions.

We tried to obtain a copy of the Peat Marwick study from the Ministry of Public Service, the Office of the President and the National Assembly but all indicated that they knew nothing of such a study.

We recall that the 2003 Budget Speech reported that an IDB-financed Public Service Modernisation Programme was expected to be concluded and the Consultant's Final report would be used as input into the design of a major modernisation project.

Recommendation:

The IDB financed report should be tabled and considered in the National Assembly and its recommendations critically reviewed with a view to implementation.

The British High Commission which financed the Peak Marwick study should be asked for a copy of that study for consideration by the Public Service Ministry.

3. The Regulatory Environment

The Budget Speech was presented amidst concerns by Guyanese policy holders and annuitants of Clico Life and General Insurance Company (S.A.) Limited (Clico Guyana) following the difficulties experienced by its Trinidad and Tobago based parent company CL Financial Limited (CL), the region's largest conglomerate. After experiencing liquidity problems at its subsidiary Clico Investment Bank (CIB), the group's chairman Lawrence Duprey entered into a Memorandum of Understanding with the Trinidad Government under which the latter would take control of the assets and liabilities of CIB and another subsidiary, Caribbean Money Market Brokers (CMMB) which have been transferred to state bank First Citizens while CL's shares in Republic Bank Limited (the parent of the Republic Bank (Guyana) Limited) and the Methanol Plant are to be sold. A copy of the Memorandum of Understanding has been published by the Trinidad and Tobago Guardian and can be accessed on its website.

Clico Guyana, a subsidiary of CL is not covered by the agreement between CL and the TT Government. However the company issued on January 30, a statement assuring policy holders that its statutory fund was "in good standing"; none of its assets are intertwined with Clico Trinidad or Clico Investment Bank; and that developments involving its parent CL Financial Limited have no financial impact. Ram & McRae's Managing Partner dealt with the matter in his column in the Sunday Stabroek of February 8 to which readers are referred for a more detailed discussion on the issue. The article is available at the archives of the Stabroek News and at www.chrisram.net.

The article refers to separate statements on the issue made by various Government functionaries including the President, the Minister of Finance and the Governor of the Bank of Guyana but these appear to have been very poorly coordinated. Significantly the Insurance regulator who participated in a meeting which the Minister of Finance had with the company has not made any statement.

As a result of the developments in that country, the Government of Trinidad and Tobago admitted that there were regulatory failures and legislative deficiencies and moved swiftly to update and amend their legislation. Some of the factors which led to the failure there appear to be replicated here. These include:

- the prevalence of transactions with related parties;
- payment of unsustainably high rates of interest on annuities;
- annuities that are in essence repayable on demand being treated as part of "Policyholders' Funds and which many consider investment instruments;
- an apparent lacuna in the Financial Institutions Act which allows no role for the Bank of Guyana despite what many consider effective deposit-taking; and
- and under-resourced supervisory oversight by the Office of the Commissioner of Insurance.

Strong oversight needed

The issue highlights the need for strong regulatory bodies in Guyana. It is true that we have a Securities Council to oversee public companies, a Commissioner of Insurance to regulate insurance companies and pension funds, a Financial Intelligence Unit to prevent money laundering, the Chief Co-operatives Development Officer responsible for cooperatives and credit unions, and the Bank of Guyana which regulates the financial sector including the non-bank cambios. With the exception of the Bank of Guyana, even the best of these – and that is relative – do not have the professional and technical resources to effectively carry out their mandate, a fact that can be established by a brief visit or conversation with any of them.

The job of a regulator in Guyana is far from easy, with a belief strongly held by many of the very entities to be regulated that compliance is optional or can be frustrated by a letter from their attorney. Five years after the passage of the Insurance Act, the Office of the Commissioner of Insurance is struggling to enforce the Act against the 15 insurance companies, 109 pension funds, 275 agents, 5 intermediaries and 6 brokers, all with a staff of three.

Over at the Securities Council demands for information are often met with legal responses rather than cooperation and compliance. Some public companies are even yet to register while the 100% Government-owned Property Holdings Limited was for a considerable period delinquent in regularising itself with the Council.

The Financial Intelligence Unit comprising essentially one person has the responsibility for receiving reports of suspicious transactions from financial institutions which under the Act includes commercial banks, cambios, credit unions, trust companies, pawnshops, real estate agents, etc. Surely that is unrealistic and to add to its mandate, as the Government is now proposing, the prevention of financing of terrorism, would place the Unit beyond breaking point. It is understandable then why the Unit has not been effective.

Then there is the Chief Co-operatives Development Officer whose responsibility covers the regulation of all cooperatives and credit unions across the country.

None of these entities has adequate in-house full-time analytical skills or legal expertise and each operates well below what can be considered a moderate level of effectiveness. Our recommendation then would be to establish a Financial Services Commission (FSC) under which is brought the supervisory functions of the Bank of Guyana, Securities Council and the Office of the Commissioner of Insurance while the Financial Intelligence Unit can be placed within the Bank of Guyana or under the FSC. Resource personnel of the FSC would include legal expertise and financial skills while the Commissioners would be persons of relevant experience and expertise.

Meanwhile we recommend that the Government play a more proactive role in normalising developments in Clico. In Barbados where there is a similarly placed subsidiary, the Government has committed to providing limited cash flow support. With a hybrid insurance/investment instruments amounting to close $8 billion, the Government may have to consider the nature and level of support it may be prepared to offer.

4. Achieving macro-economic goals

It has been standard fare for successive Ministers of Finance, repeating the IMF mantra, to boast about the soundness of the country's macro-economic fundamentals. For this Focus, we look at some of the targets reduced in quantitative terms when the Economic Recovery Programme was announced:

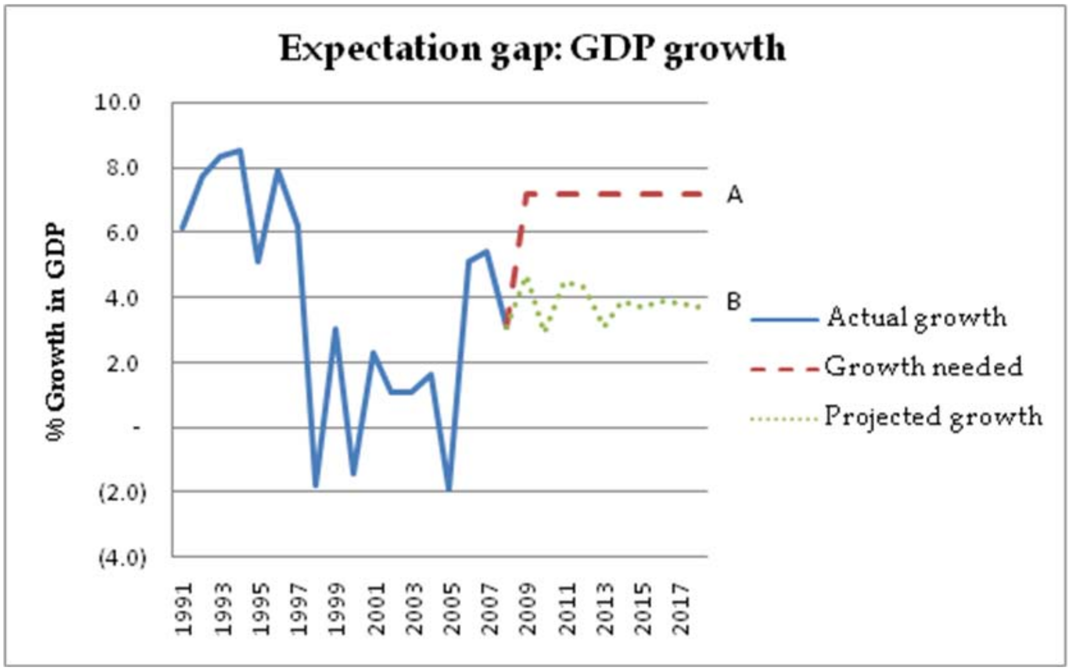
a.) Achieve an average rate of GDP growth of 4%;
b.) Provide the basis for a viable Balance of Payments situation in the medium term; and
c.) Re-incorporate the parallel economy into the official economy.

a) Achieve an average rate of GDP growth of 4%

At the commencement of the Economic Recovery Programme (ERP) the per capita GDP was US$380. With a growth rate of 4% cumulatively, that figure at the end of 2008 would have increased to US$712 in real terms. In fact during the first five years of the programme, up until the time President Jadgeo assumed the helm of the Ministry, the economy had been averaging Asian type growth rates - 7.14%.

During the three years when the current President was the Finance Minister the average growth rate fell to 3.8% and for his successor Sase Kowlessar it was 1.1% for the years 2000 -2006. For 2007 and 2008 the rate increased to 4.25% per annum. Over the twelve year period 1996 to 2008 the average growth rate was 2.44%. Our view is that at a minimum we should aim to double GDP in any ten year period, requiring a cumulative annual increase of 7.2%, which we consider reasonable.

We have therefore constructed a graph showing what we call the expectation gap, a measure of the desired growth rate and the actual growth rate, shown in the graph as A and B respectively. The line that is at the left of the graph is the actual performance of the economy since 1991. Note that for a number of years the growth rate was negative. Line B projects the trend over the past five years into the next ten years. Line A projects where in our opinion the economy needs to be if the per capita GDP is to double over the same period.



It is from that premise that we should be planning the economy.

In our view that gap is what the managers of our economy need to fill. Those assumptions can of course vary but seem to us a reasonable starting point for establishing any economic strategy.

***b)** Provide the basis for a viable Balance of Payments situation in the medium term*

The balance of payments is a kind of accounting that shows the country's transactions with the rest of the world. Globally there are going to be countries in a plus situation with their trading partners in a corresponding minus situation. The aim of any country at worst would be to be neutral. There are two principal sections in the statements:

1. The current account, which is the difference between the exports and the imports of goods and services;
2. Capital movements which measures net capital transfer (loans) with the state and individuals.

Despite the fact that we are primary commodity producers, since 1992 Guyana has not had a net surplus on its current account for any single year. In fact, the total deficit on the current account for the entire seventeen years amounted to close to US$2 billion.

On the capital account the situation is favourable largely because of the debt relief and loans.

The capital account position is due to the substantial deficit the government has been running on its domestic budget. Again not a single year since 1992 has the government had a surplus on the overall balance of financing. In fact the total amount is a whopping $22Bn deficit, a measure of how much more we spend than we earn.

In our view we have to rethink the objectives and targets and devise appropriate industrial, agricultural, export and import substitution goals, so far is as possible, and putting in place tax measures that promote those objectives.

c) *Re-incorporate the parallel economy into the official economy*

Distinguished Professor Dr. Clive Thomas has consistently pointed out that the parallel economy masks the narco-trade and the smuggling of fuel, alcoholic beverages, pharmaceuticals, cigarettes, all facilitated in one way or another by the ease with which income tax is evaded and foreign currency is purchased and sold by these persons, often using the non-bank cambios licensed by the regulator.

Money laundering legislation has been on the books for several years and a new bill is being slowly considered by a Select Committee of the National Assembly chaired by the Minister of Finance. The Managing Partner of Ram & McRae appeared before and made a written submission to that committee several months ago in which he opined that the proposed structure of the Financial Intelligence Unit (FIU) is not appropriate. He drew attention to the Barbados model in which the FIU is supervised by a high-level board of nine persons including the Solicitor General, the Commissioner of Police, the Commissioner of the Inland Revenue, a representative of the Central Bank and the Supervisor of Insurance or their representative.

There are as we have said a number of permutations and the best option should be chosen after thorough consideration of all the factors. The entities can operate under the umbrella of the Bank of Guyana or they can operate within a Financial Services Commission. The important point is that we must act and the sooner the better.

Our own experience within the society is that dirty money is dangerous money. It competes unfairly with genuine businesses, interferes with the operation of the currency and often corrupts the society. As a country, we know many of the persons who engage in the illicit and illegal trade. It is time that we do something about them with the Guyana Revenue Authority and the Guyana Police Force playing important roles. After all, Al Copone's reign of terror was ended by the Internal Revenue Service.

5. The Berbice Bridge

The Berbice Bridge was opened to the public for light vehicle use on December 23, 2008. The Bridge stands out as a physical achievement of President Jagdeo and while it has been criticised technically for its location it has the potential for enhancing trade between the capital city and as far away as Suriname which we so often forget is now a full member of CARICOM, which is headquartered in Guyana. For many who have had nightmares with the ferry service which the Bridge is intended to replace, it is a boon, reducing travel time for a crossing in some cases by hours.

A build-own-operate-and transfer (BOOT) facility, it has been promoted as a model for private sector participation in infrastructural development and as a measure of the confidence of the private sector in the management of the economy. Among the equity investors are the Clico Guyana, the National Insurance Scheme, Hand-in-Hand Insurance Co. Ltd. and New GPC. Long-term lenders include the pension schemes, the commercial banks and the New Building Society.

As Business Page has reported on a number of occasions, the investment by the private sector required considerable persuasion and in some cases trade offs by the Government, keen to keep a promise made more than a decade ago. New GPC associate, Queens Atlantic Investment Inc., for example, received generous discounts on lease of choice real estate and substantial questionable tax concessions for projects which in total exceed the value of GPC's investment in the Bridge Company. The New Building Society which had on the basis of independent advice initially refused to invest in the Bridge, after examining its feasibility, has been permitted to increase its lending limit by 50% to $12 million and continues to operate outside the country's regulatory financial framework. While the NBS remains a strong institution any indiscretion could cause difficulties. There can be no excuse for any delay in placing the NBS under the statutory regulatory oversight of the Bank of Guyana.

The trade-off for the investment in the Bridge has also been collective with a raft of tax concessions lasting the entire duration of the Concession. In granting the following exemptions, section 20 of the Berbice Bridge Act, 2005 is as generous as any tax concession ever granted in this country and will cost taxpayers and commuters hundreds of millions over the years. There is nothing to prevent the company from paying exorbitant rates of interest for financing from related parties, all of which would be tax-free under the Act. Those who defend the toll charges on the grounds that the Bridge will replace the Transport and Harbours Department ferry service which is subsidised will recognise that tax concessions to the Berbice Bridge Company Inc (BBCI) are also a form of subsidy.

The following are the concessions:

1. All imports of goods, equipment or services are exempt from taxes, import duties, purchase tax, consumption tax, motor vehicles taxes and all other taxes; license fees and other similar fees or charges.

2. Exemption from corporation tax, income tax and withholding tax.

3. Exemption from corporation taxes, income taxes and withholding tax on all dividends paid by the Company.

4. Exemption from corporation taxes, income taxes and withholding tax on all interest paid to investors.

5. Exemption from income tax on all income earned by a contractor or subcontractor.

In a time of stagnant and falling income, commuters have complained that the tolls charged for use of the Bridge are exorbitant, prompting the defensive response, without offering any evidence and completely forgetting that we have a similar bridge across the Demerara River, that the charges are in line with international tariffs. One of the specific concerns is that the operators are charging a two way toll from Rosignol and therefore none from the east bank of the river.

Such a charge seems unlawful since the Order signed by Minister of Communication Robeson Benn and Gazetted just one day before the limited opening of the Bridge sets out the tariff for both one way and two-way return. The late and hurried issue of the Order prevented any opportunity for discussion with commuters or market surveys being done, hardly how a functional private sector operates. The Government and the very Minister who signed the Order have turned a Nelson's Eye to the unlawful imposition.

Ram & McRae recommends that the operations of the Bridge including its charges and those of other public transportation services providers be brought under the supervisory oversight of the Public Utilities Commission.

6. Sugar

The announcement earlier this year that Guyana was importing sugar from Guatemala to enable it to meet its EU quota was a painful blow to the nation's psyche. The sugar union, Guyana Agricultural and General Workers Union (GAWU) described the importation as "most unfortunate" declaring that Guysuco had come full circle back to the years of "1988-91". In that period production fell to an average of 155,440 tonnes. In 2008 the production was 226,267 tonnes, 15% below the year's target.

That this should come within days of the end of the year in which the Skeldon Sugar Modernisation Project (SSMP) was expected to come on stream, leading within five years to annual production of 500 million tones, drove disappointment to despair. For years, expression of fears that the Project was overly ambitious was met with assurances that the Project had been subject to the most rigorous examination, that it was a comprehensive, viable plan.

At a cost in excess of US$200M i.e. $40 Billion, SSMP was expected to halve the cost of production from 17.5US cents per pound. For good measure, in achieving cost and production targets, the plan envisaged that the Demerara Estates would thereby become viable, guaranteeing their survival.

That the goals were ambitious, perhaps overly so became apparent sooner than expected with the Minister of Agriculture expressing concerns about a mismatch between the capacity of the Factory and field production. It seems as well that sufficient note had not been taken of two factors over which the company had no control - weather and labour. At the end of the year, following several failed trials with the new Factory, there were threats by the Government to impose the penalty clause.

The need to import appears to have accelerated the termination of the Booker Tate Management Contract that had existed from 1991. With apparently little consideration for its own Companies Act the Government appointed a new Interim Board bringing back as CEO for Guysuco former Finance Director during the PNC Administration, Chartered Accountant Errol Hanoman.

The Board we are told has been charged with the responsibility to produce a turnaround plan for the Corporation. There has been no announcement how much time or resources it will be given to achieve what is clearly no easy task. What if the technocrats consider that continued operation of one or more estates is uneconomic, will the Government be willing to accept its recommendations?

One of the biggest challenges facing the industry of course is labour. The Plan gambles on having sufficient labour to feed the appetite of the Skeldon Mill at some time in the future. The evidence however is that the supply of cane is unlikely to match capacity in the medium term. This will have a huge impact on the financial viability of the project. Assuming a 40 year life expectancy for purposes of depreciation the annual depreciation charge will be $900 million, for an entity that has been struggling to move back into profitability, an increase in depreciation approximating to over 2% of revenues. With cuts in the preferential price earned in the European market of 5%, 17% and 13% in 2007, 2008 and 2009 respectively, the Interim Board and the country have a Herculean task on its hand.

7. Debt Management

It took twenty five years from the time the country fell into arrears in 1982 for the debt stock to return Guyana to a sustainable level. It began with a courageous decision by the late president Mr. Hugh Desmond Hoyte and his Finance Minister Mr. Carl Greenidge under the Economic Recovery Programme (ERP). That initiative was adopted by the PPP/C on taking office and pursued vigorously by President Jadgeo, who never misses an opportunity to plead for debt relief.

Debt sustainability is a function of both debt service and GDP so that in a growing economy a country can take on higher debt levels. Every dollar borrowed in a stagnant economy actually increases the debt burden although some governments, following Lord Keynes, deliberately seek to spend their way out of a recession as President Obama is determined to do.

Year End	Domestic Public Debt G$ Bn	Foreign Debt US$ Bn
1992	18.70	1.97
1996	37.70	1.54
2000	48.00	1.19
2004	65.80	1.19
2008	74.98*	0.83

** as at September 2008*

At December 31, 1992 the level of external debt was approximately US$1,967Mn and over the next sixteen years the country received a total write-off of US$2.127Bn. In other words the write-off received includes debts both inherited, and contracted, by the PPP/C. The net position is that the present net balance does not include any inherited debt.

Despite this comprehensive write-off the government has not been hesitant to borrow huge sums to finance investments, not all of which has been money well spent. The current level of external debt is now US$0.9Bn while the Bank of Guyana has external reserves of US$355 million, up by $43 million in 2008. This would cover some approximately 100 days of merchandise imports.

But it is domestic debt that has been rising alarmingly, from $18.8Bn in 1992 to $75Bn sixteen years later, representing a cumulative annual increase of 9.3%. Together internal and external debt takes the total debt to US$1.199Bn. The interest cost of servicing the domestic debt in 2008 was $2.98Bn while the interest of the external debt was $1.7Bn. Total debt service inclusive of interest cost is 14.4% of the total non-interest expenditure compared with 11.7% in 2007. The same measure for 2009 is $7.9Bn or 8.7% of current revenue. It would be so helpful if the Minister would explain these rather erratic fluctuations.

Every dollar of money borrowed that does not produce a corresponding return is a burden imposed in succeeding years. We continue to believe that without a mandatory cap on borrowing there is little incentive to curb expenditure.

In 2004, the then Minister of Finance announced that the Debt Management Division would be expanded to include the management of domestic debt. It is perhaps pure coincidence that the domestic debt burden has deteriorated since the expansion of the Unit. That deterioration should be reversed.

8. Tax reform

The Guyana Revenue Authority came into being in 2000 following the merger of the Internal Revenue and Customs and Trade Administration. At the time the GRA was expected to strengthen tax administration, improve revenue collections and deliver more effective service.

Up until the introduction of VAT in January 2007, revenue collection had improved but the cost of collecting those taxes rose dramatically, even as the GRA concedes that taxpayers are still not fully aware of the laws relating to the filing of returns. That is at least surprising given that the date for filing returns have remained unchanged for 80 years!

During the years 2007 and 2008, the Customs and Trade Administration (CTA) became the centre of a scandal which an Audit Office-led investigation resulting in a finding that several of the staff of the CTA had colluded with a high profile private sector entity to deprive the country of hundreds of millions of tax revenue. The transactions took place during the period when Colonel Chabbilal Ramsaroop, in another example of irrational decision making by the political directorate, was placed to head the Customs Trade and Administration despite having no prior knowledge and experience of such work.

It was more than routine political misjudgement but a failure of the Board comprising a Chairman appointed by the Minister, the Commissioner-General, the Governor or representative from the Bank of Guyana, the Budget Director and two other persons appointed by the Minister to make their own decisions rather than have the decisions made for them. The persons appointed by the Minister are the head of the Statistical Bureau and Mr. Clyde Roopchand of the Ministry of Finance. Meanwhile Mr. Chabilall Ramsaroop has been quietly removed from his post but without any replacement being named.

The GRA is required to submit to the Minister of Finance within six months of the end of the year a report including audited financial statements. The Minister is responsible for tabling the report "as soon as reasonably practicable thereafter." The last year for which such a report was released is 2006 while we understand that 2007 has been filed with the Minister.

The Authority has a reasonably well-staffed Planning and Analysis Unit. We agree with such a Unit but wonder whether the Unit should not also be equipped to deal with Tax Policy until the Ministry of Finance recognises the importance for having such a Unit of its own.

We are concerned to know about the reports the Authority's Planning and Analysis Unit produces and why their contents are not reflected in the Authority's Annual Report. Information communicated in that Report would help the public better understand and appreciate the fairness of the tax system and help the Authority to better focus its initiatives.

We have argued over the years for the Annual Report of the Authority to provide a range of statistical information including collections by regions/offices; by type of business (manufacturing, banking, professional, etc.); and by category of taxpayer (employed, self employed and corporate), all derived from the tax returns and generated by the computer. In other words the benefit is considerable with negligible cost.

Meanwhile the GRA has announced another round of administrative reform with new designations that do not appear to conform with the law.

The Commissioner General has explained that the reform is aimed at a "paradigm shift to a functional approach" with new designations being created. We can only hope that this is addressed before implementation. Interestingly in its release on the matter on December 30, 2008, the Commissioner General exhorted taxpayers to see their taxes not as paying monies but "to create a viable and debt free economy." Please see Debt Management above.

Let us be categorical. This is not Tax Reform and the Government, if it serious about reducing the scale of tax evasion and making the system fair, should immediately embark on genuine tax reform.

Conclusion

We are extremely disappointed at the content of this Budget. A Budget should seek to address the challenges facing society as well as promoting and encouraging legitimate businesses, reducing tax evasion and generating a reasonable level of revenue to finance the operations of the State. Regrettably, we cannot say that we believe that these objectives are achieved by Budget 2009.

Appendix A: Acts Passed in 2008

Legislation	Title	Description	Date of assent	Bill
Act No. 1 of 2008	Supplementary Appropriation (No. 2 of 2007) Act 2008	An act to provide for the issue from the Consolidated Fund of the sums necessary to meet supplementary expenditure of $9,398,373,968 for the fiscal year ending 31st December, 2007.	January 3, 2008	31/2007
Act No. 2 of 2008	Income Tax (Amendment) Act 2008	An act to amend the Income Tax Act to effect an increase of $84,000 per annum in the personal allowance to $420,000.	March 31, 2008	1/2008
Act No. 3 of 2008	Appropriation Act 2008	An act to provide for the issue from the Consolidated Fund of the sums necessary to meet expenditure of $106,506,904,000 for the fiscal year ending 31st December, 2008.	March 31, 2008	2/2008
Act No. 4 of 2008	Excise Tax (Amendment) Act 2008	An act to amend the Excise Tax Act 2005 to allow the Minister to issue regulations subject to negative resolution of the National Assembly.	March 31, 2008	3/2008
Act No. 5 of 2008	Guyana Presbyterian Church Act 1974 (Amendment) Act 2008	An act to amend the Guyana Presbyterian Church Act 1974.	April 24, 2008	30/2007
Act No. 6 of 2008	Visiting Forces Act 2008	An act to make provision for armed forces of certain States visiting Guyana and for related purposes including taxation of earnings.	July 31, 2008	5/2008
Act No. 7 of 2008	Status of Visiting Police Forces Act 2008	An act to provide for the presence, activities, privileges and immunities of members of foreign police forces and civilian personnel in Guyana and for matters connected therewith including taxation of earnings.	July 31, 2008	6/2008
Act No. 8 of 2008	Hijacking and Piracy Act 2008	An act to make special provisions for punishment for the offences of armed robbery, hijacking and piracy and for matters connected therewith.	July 31, 2008	4/2008, 7/2008
Act No. 9 of 2008	Tax (Amendment) Act 2008	An act to amend the Tax Act to repeal the duty on nominal capital of companies incorporated in Guyana.	August 29, 2008	13/2008
Act No. 10 of 2008	The Evidence and Motor Vehicles and Road Traffic (Amendment) Bill 2008	An act to amend the Evidence Act and the Motor Vehicles and Road Traffic Act.	Not assented to during 2008	8/2008
Act No. 11 of 2008	Prevention of Crimes (Amendment) Act 2008	An act to amend the Prevention of Crimes Act primarily to provide for certain convicted persons to be subjected to police supervision.	August 29, 2008	9/2008

Legislation	Title	Description	Date of assent	Bill
Act No. 12 of 2008	Motor Vehicles and Road Traffic (Amendment) Act 2008	An act to amend the Motor Vehicles and Road Traffic Act to prohibit the use of mobile telephones or similar devices while driving.	August 29, 2008	10/2008
Act No. 13 of 2008	Fiscal Enactments (Amendment) Act 2008	An act to amend the Income Tax Act and the Income Tax (In Aid of Industry) Act to empower the Minister with the ability to make regulations for the remission of taxes and extend the law on concessions.	August 29, 2008	14/2008
Act No. 14 of 2008	Supplementary Appropriation (No. 1 for 2008) Act 2008	An act to provide for the issue from the Consolidated Fund of the sums necessary to meet supplementary expenditure of $4,840,613,576 for the fiscal year ending 31st December, 2008.	August 29, 2008	16/2008
Act No. 15 of 2008	Summary Jurisdiction (Offences) (Amendment) Act 2008	An act to amend the Summary Jurisdiction (Offences) Act to prohibit the playing of music in a motor bus or hire car	August 29, 2008	11/2008, 17/2008
Act No. 16 of 2008		None		
Act No. 17 of 2008	The Criminal Law (Procedure) (Amendment) Act 2008	An act to amend the Criminal Law (Procedure) Act.	December 2, 2008	20/2008
Act No. 18 of 2008	Criminal Procedure (Plea Bargaining and Plea Agreement) Act 2008	An act to provide for the establishment of a system of plea bargaining and plea agreements in criminal procedure and for matters connected therewith.	December 2, 2008	21/2008
Act No. 19 of 2008	Evidence (Amendment) Act 2008	An act to amend the Evidence Act to provide for the use of audio video technology.	December 2, 2008	22/2008
Act No. 20 of 2008	Telecommunications (Amendment) Act 2008	An act to amend the Telecommunications Act 1990 to require mobile operators to record and store certain information.	December 19, 2008	18/2008
Act No. 21 of 2008	Interception of Communications Act 2008	An act to make provision for the interception of communications, the acquisition and disclosure of data relating to communications and the acquisition of the means by which protected communications may be accessed and placed in an intelligible form and for connected purposes.	December 2, 2008	19/2008
Act No. 22 of 2008	Supplementary Appropriation (No. 2 for 2008) Act 2008	An act to provide for the issue from the Consolidated Fund of the sums necessary to meet supplementary expenditure of $2,832,109,413 for the fiscal year ending 31st December, 2008.	December 2, 2008	23/2008

Legislation	Title	Description	Date of assent	Bill
Act No. 23 of 2008	Local Authorities (Elections) (Amendment) Act 2008	An act to amend the Local Authorities (Elections) Act to provide for the postponement of elections of councillors of local democratic organs.	January 21, 2009	24/2008

The following bills were passed during 2009:

Bill No. 21 of 2007	Forest Bill 2007	An act to consolidate and amend the law relating to forests.		
Bill No. 25 of 2008	Trade Union Recognition (Amendment) Bill 2008	An act to amend the Trade Union Recognition Act 1997 to recognise the Association of Trade Unions which representing the largest number of workers instead of the one with the largest membership i.e. highest number of trade unions.		
Bill No. 26 of 2008	Child Care and Protection Agency Bill 2008	An act to provide for the establishment of a Childcare and Protection Agency the duties of which are to implement policy and decisions in relation to the laws governing children.		

The following bills were with Special Select Committees:

Bill No. 18 of 2007	Anti-Money Laundering, Countering the Financing of Terrorism Bill 2007	An act to replace the Prevention of Money Laundering Act with a new Act the scope of which now includes the financing of terrorist activities.		
Bill No. 12 of 2008	Court of Appeal (Amendment) Bill 2008	An act to amend the Court of Appeal Act to provide for appeals by the Director of Public Prosecutions to the Court of Appeal and the Caribbean Court of Justice and for connected matters.		
Bill No. 15 of 2008	Money Transfer Agencies (Licensing) Bill 2008	An act to provide for the licensing of persons carrying on the business of money transfer agencies; to make provision for the registering of money transfer agents and for connected purposes.		

Appendix B: Selected Socio - Economic Indicators

	ITEM	2008	2007 (Revised)	2007	2006	2005	2004
1	**National Accounts Aggregates**						
1.1	Growth Rate of Real GDP	3.1	5.4	5.4	5.1	(1.9)	1.6
1.2	GDP at factor cost (US$M)	945.2	847.9	847.9	754.9	683.0	652.0
1.3	GNP at factor cost (US$M)	930.4	836.7	812.1	698.1	663.5	621.1
1.4	Per Capita GDP (US$)	1,233.6	1,111.0	1,111.0	992.4	900.9	862.8
1.5	Per Capita GNP (US$)	1,214.3	1,096.3	1,064.1	917.7	875.1	821.9
1.6	Gross National Disposable Income (US$M)	1,483.8	1,353.1	1,268.6	1,019.9	930.4	799.7
1.7	Private Consumption as % of Gross Domestic Expenditure	63.3	54.6	54.7	48.5	55.3	49.2
1.8	Public Consumption as % of Gross Domestic Expenditure	14.4	17.3	17.2	18.0	20.3	21.8
2	**External Trade and Finance (US$M)**						
2.1	Bal of Payments Current Account Balance	(299.1)	(189.1)	(231.9)	(250.4)	(157.5)	(70.0)
2.2	Imports of Goods and Non- Factor Services (G&NFS)	(1,624.0)	(1,335.6)	(1,335.0)	(1,130.4)	(984.5)	(754.9)
2.3	Exports of Goods and Non- Factor Services (G&NFS)	1,010.3	870.9	853.8	732.7	698.9	688.5
2.4	Resource balance	(613.7)	(464.7)	(481.2)	(397.7)	(285.7)	(66.4)
2.5	Imports of G&NFS/GDP(%)	171.8	157.5	157.4	149.7	144.1	115.8
2.7	Exports of G&NFS/*GDP* (%)	106.9	100.7	100.7	97.1	102.3	105.6
2.8	Net International Reserves of Bank of Guyana	298.8	254.0	254.0	221.5	160.5	136.6
2.9	External Public Debt Outstanding	833.7	718.8	718.1	1,043.2	1,214.6	1,071.1
3	**Prices, Wages and Output**						
3.1	Rate of Inflation (% change in Urban CPI)	6.4	14.0	14.0	4.2	8.3	7.2
3.2	Public Sector Monthly Minimum Wage in G$ (e.o.p)	29,836.0	28,416.7	28,416.7	26,070.3	24,828.9	23,204.6
3.3	% Growth Rate	5.0	9.0	9.0	5.0	7.0	5.0
3.4	Electricity Generation (in MWh)	569.2	559.2	599.2	534.6	528.4	514.9
4	**Population & Vital Statistics**						
4.1	Mid- Year Population ('000)	766.2	763.2	763.2	760.7	758.2	755.7
4.2	Population Growth Rate (e.o.p)	0.3	0.3	0.3	0.3	0.3	0.3
4.3	Net Migration ('000)	(15.7)	(10.8)	(10.8)	(9.2)	(15.2)	(5.8)
4.4	Visitor Arrivals ('000)	129.6	134.1	127.4	113.5	116.8	121.9
4.5	Crude Birth Rate (per 1,000 persons)	19.9	19.0	NA	19.5	19.6	21.7
4.6	Crude Death Rate (per 1,000 persons)	6.5	6.6	NA	6.6	6.9	6.8
4.7	Crude Marriage Rate (per 1,000 persons)	4.2	5.3	5.3	6.1	4.8	5.9
4.8	Infant Mortality Rate (per 1,000 persons)	17.5	20.3	NA	19.2	22.0	20.7
4.9	Under 5 Mortality Rate (per 1,000 live births)	20.2	23.9	NA	20.3	26.5	26.0
5	**Health and Education**						
5.1	Public Expenditure on:						
5.1.1	Education as % of National Budget	15.1	17.1	13.7	13.0	13.7	15.5
5.1.2	Health as % of National Budget	9.3	10.6	9.3	9.0	7.5	9.5
5.2	Number of Physicians Per Ten Thousand Population	6.6	5.1	5.1	4.9	4.9	4.2
5.3	Number of Nurses per Ten Thousand Population	10.6	10.1	9.9	10.8	11.6	12.7
5.4	Number of Hospitals Beds per Ten Thousand Population	24.9	24.9	24.9	24.1	24.9	25.0
5.5	Low birth-weight babies (<2,500g.) as a % of live births	11.0	11.6	NA	10.8	11.7	11.6
5.6	Severely Malnourished	0.4	0.5	0.3	0.4	0.6	1.0
5.7	Moderately Malnourished	6.0	7.0	5.7	5.9	7.0	9.3
5.8	Overweight	3.6	3.6	2.9	3.9	4.7	5.2
6	**Crime**						
6.1	Reported Serious Crimes	2,246.0	2,470.0	NA	2,756.0	3,270.0	3,450.0
6.2	of which: Homicides	164.0	116.0	NA	173.0	150.0	139.0
7	**Exchange Rates**						
7.1	G$ to US$	205.25	NA	203.50	201.00	200.25	199.75
8	**Interest Rates**						
8.1	Prime Lending Rate (weighted average)	14.54	NA	14.71	14.54	14.54	14.54
8.2	Small Savings Deposit	3.06	NA	3.15	3.19	3.38	3.42
8.3	Three Months Time Deposits	2.34	NA	2.40	2.48	2.59	2.59
8.4	Treasury Bill Rate (91 days)	4.19	NA	3.90	4.16	3.74	3.79
9	**Debt**	246,089.5	NA	215,481.4	283,986.0	310,969.7	303,283.0
9.1	External Public Debt (US$M)	171,116.9	NA	146,136.0	209,677.8	243,215.4	237,433.2
9.2	Pubic Domestic Debt (G$M)**	74,972.6	NA	69,345.4	74,308.2	67,754.3	65,849.8

** 2008 values shown at September.

NA: Not Available / Not Applicable